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ABSTRACT

The Guaranteed Student Loan Program, authorized by the 1965 Higher Education Act (Title IV-B) is intended to provide students with a means of financing part of the cost of education. The principal of the loan is provided by commercial lending institutions or state lending agencies. An increasing number of issues have surfaced regarding the program as a whole and certain specific aspects of it: (1) federal costs have increased steadily; (2) the extent of future federal liability implicit in new or issues loans is not precisely known; (3) default rates have increased to a level far beyond those that had been expected; (4) because lenders are reducing or eliminating their financial participation, it is not clear that GSLP can fulfill its objective of providing a major part of the financial assistance to college students; and (5) the program's social efficiency and equity are questioned by the high default rate for certain demographic groups and types of schools. Two questionnaires were developed, one concerning individual borrowers and one concerning lenders. Data collected add considerably to the limited base of knowledge about the student/lender process. (Author/KE)

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Report UR-299

A SURVEY OF LENDERS IN THE GUARANTEED STUDENT LOAN PROGRAM

Kenneth F. Gordon, Project Director
Michael Errecart

DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

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Department of Health, Education, and Welfare

7910 Woodmont Avenue, Bethesda, Maryland 20014

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SUMMARY

The Guaranteed Student Loan Program, authorized by the 1965 Higher Education Act (Title IV-B), is intended to provide students with a means of financing part of the cost of education. It works toward equalizing educational opportunity by helping students overcome financial barriers. The principal of the loan is provided by commercial lending institutions or state lending agencies.

Federal operations began in FY 68, with rapidly increasing levels of funding each year since. By the end of FY 75, it is expected that loan disbursements in the program will total $7 billion, with more than $1.1 billion having been disbursed in FY 75 alone. These loans have been made by approximately 19,000 lenders to over six million students in 8,200 educational institutions. Among the institutions whose students are eligible for loans are traditional two-year and four-year colleges, as well as specialized and vocational (proprietary) schools. The latter sector has increased its participation most rapidly from $2.9 million in FY 68 to $218.2 million in FY 73. For this and other reasons, the Office of Education has required funds beyond those originally anticipated for payment of its GSLP obligations for each of the last several years.

In recent years, an increasing number of issues have surfaced regarding the program as a whole and certain specific aspects of it:

- Federal costs have increased steadily.
- The extent of future federal liability implicit in new or issued loans is not precisely known.
- Default rates have increased to a level far beyond those that had been expected.

- Because lenders are reducing or eliminating their financial participation, it is not clear that GSLP can fulfill its objective of providing a major part of the financial assistance to college students.
- The program's social efficiency and equity are questioned by the high default rate for certain demographic groups and types of schools.

Even though large data files are maintained on all GSLP loans, these issues were not readily addressed by existing data for two reasons: (1) much of the data needed to address the issues of current importance are not routinely collected, and (2) the quality of data in existing files is questionable. As part of a program to close the data gap and provide clear answers to these questions, the Office of Planning, Budgeting, and Evaluation (OPBE) contracted RMC Research to survey and analyze new data relating to a representative sample of GSLP lenders and borrowers. The survey was to focus on repayment details, default status, lender procedures, and lender attitudes. This research was also to validate certain items in the existing data base and to obtain specific data needed to further quantify and expand the Loan Estimation Model being developed under a separate contract.

Two closely interrelated surveys, one of lenders and one of borrowers, were required to fulfill these general objectives. The specific objectives of each are distinct. For the lenders survey they are as follows:

(1) to expand on the information lenders currently report to the Office of Education, particularly for data needed on a one-time basis for OE's Loan Estimation Model;

(2) to determine lender experience with loan defaults that will be used both to validate the OE file data and to assess certain qualitative aspects of the loan portfolio;

(3) to determine some of the important procedures relating to lender administration of guaranteed loans--that is, the approval, servicing, and collection of such loans;

(4) to estimate some of the primary costs associated with the administration of guaranteed loans;

(5) to determine some of the opinions, viewpoints, and more formal policies that constitute lender response to the structural and administrative requirements of the GSL program; and

(6) to determine certain aspects of borrower repayment experience with lenders, including the setting of repayment terms and amount of monthly payments.

RESEARCH DESIGN

The research design for this study reflects the primary interest in GSLP repayment and default processes. The population of interest consists of borrowers who had obtained federally guaranteed loans, including state guarantee agency loans, and who had one or more loans converted into repayment. Since lending institution practices, policies, and procedures and borrower behavior are key issues of this study, two types of data were required: (1) data on classes of lending institutions, and (2) data about classes of borrowers who are, or have been, in repayment status.

This research design led to the need for a representative sample of GSLP lending institutions and a representative sample of GSLP borrowers who had reached or completed the repayment stage. Mail questionnaires were designed and sent to sample lenders. Included were a Part I, covering aggregate institutional operations, and a separate Part II, covering the behavior of each sample borrower associated with that lender. To further investigate the possible causes of default by borrowers, a separate questionnaire was also sent directly to each sample borrower; however, a large proportion of invalid addresses and many nonrespondents resulted in a poor overall response, particularly for the most important subgroup—the defaulters. The resulting low precision of estimates from this direct borrower survey limited its usefulness, and this report draws only on the indirect borrower data supplied by lenders.[1] In any case, the sample, which was drawn to represent the borrowers in repayment, could be (and was) used for a direct survey.

RMC prepared a sampling frame by extracting the borrowers in repayment status from the large GSLP data file on participants maintained by the OE Division of Insured Loans. This produced a total of about 1.6 million sample candidates. The universe file was processed to produce a cluster sample of

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1. A separate report incorporating an analysis of the direct borrower survey data was provided by RMC to OPBE for internal use. See A Survey of Lenders and Borrowers in the Guaranteed Student Loan Program, RMC Report UR-228, November 1975.

approximately 10 borrowers from each of 800 lenders. Lenders were sampled with a probability proportional to the number of borrowers who had reached repayment status. It was believed that a sample of 800 lending institutions would be adequate to provide the desired data by the major types of lenders. The lender sample was stratified by 13 lender categories used by the Division of Insured Loans. Steps were taken to ensure that the samples were statistically adequate and that questionnaires were not sent concerning borrowers who were not in repayment status. These steps are discussed in more detail in Chapter 3.

Two questionnaires were developed, one concerning individual borrowers and one concerning lenders, which reflected the major issues of concern to OE and the specific research questions related to those policy issues. The questionnaires were designed to minimize respondent burden and to focus on the priority items that were developed with the assistance of the Office of Education. The lender instrument was pretested in eight lending institutions, which were asked to note any areas of difficulty. After their review, approval was obtained from the U.S. Office of Management and Budget (OMB), as is required for all such surveys. Appendices B and C present the full questionnaires and the answers obtained. Questions were then redesigned to correct the difficulties experienced by the pretest groups.

Questionnaires were then mailed to lenders in accordance with the sampling plan. In addition, site visits were made to 39 lending institutions to discuss lender operations that might bear on the interpretation of the study data, and to probe more fully than a questionnaire allows in some areas.

The completed questionnaires were returned to RMC and kept under lock and key to ensure the confidentiality of the results. Open-ended questions were coded (the basic questionnaires had been precoded), and computer data files were constructed for the subsequent analysis.

The conclusions of this study should be read with some sensitivity to the complexities and difficulties faced by any study that relies on collecting loan information directly from a sample of lending institutions. Since our conclusions and recommendations have been prepared with these caveats in mind, and to avoid complicating this summary with the details of the

study process, the reader is referred to Chapter 2, which discusses the following aspects of importance to an informed assessment of the quality of the observed data and resulting conclusions:

- sampling process,
- nonresponse to questionnaire items,
- incorrect answers,
- timing, and
- sampling and weighting procedures.

While the reader is urged to refer to that material, it is appropriate to indicate here that no major study finding is negated by any of the matters covered in Chapter 2. Its principal aim is to present the analytic process underlying the results of this study.

STUDY CONCLUSIONS

Conclusions Relating to Lenders

This survey obtained valid responses from about 70 percent of the selected lenders, which represented about 72 percent of all borrowers in repayment. Thus, RMC feels that the survey data for lenders provides a solid base for conclusions about lender behavior and attitudes. The following paragraphs summarize conclusions relating primarily to lenders.

The lender survey was able to achieve its major objectives with the following exceptions: only limited quantitative information could be acquired on default. Moreover, the survey did not completely succeed in obtaining lender costs for administering GSLP owing to the inability or unwillingness of lenders to provide such data. We did, however, obtain relative cost information from major cost categories involved in the administration of the GSLP.

Participation of Lenders in GSLP

Lenders participate to serve their customers or the community in general. They see the program as a way to fulfill a legitimate need of the constituent population.

Nevertheless, lenders are broadly interested in the economic return to be gained from participation. However, they are more concerned about not suffering any losses from participating in the program than they are about maximizing profits. Lenders are dissatisfied with the extent and growth of the federal paperwork and red tape required by the program. For most lenders, the GSLP represents a very small portion of their total loan investments, but takes a disproportionate amount of administrative effort. In fact, some lenders regard this as a reason for dropping out of the program. Many feel that regular operating procedures in a lending environment are adequate and they could achieve good results without the extra requirements imposed by the GSLP.

Student Access to GSLP

The GSLP has not evolved into a student aid program accessible to all students. Large numbers of lenders have introduced constraints on student eligibility in addition to legislative and OE regulations. For example, some lenders restrict loans to existing customers, do not give loans to first-year students, do not give loans to vocational school students, or do not give loans to students holding GSLP loans from other lenders. Their rationale for imposing these constraints reflects their judgment that the student or program is best served by not granting some loans and that lender funds must be rationed in any program operating at a net loss.

Effects of Lender Size

Many of the differences in lender response to questions appear related to their level of participation; that is, the size of their investment in GSLP. For example, smaller lenders tend to have fewer defaults and spend proportionately less of their costs in finding defaulters and preparing claims. They are also more likely to require customer status before granting loans.

Distribution of Defaults

The phenomenon of default was unevenly distributed among lenders. Defaults are concentrated in certain geographical areas. However, since lender size

is also correlated with default rate, much of the geographical differentiation can be attributed to the fact that certain areas have higher concentrations of larger lenders. Of particular interest is the fact that vocational schools that act as direct lenders experience much higher than average default rates, as do savings and loans associations. Credit unions had substantially lower than average default rates.

Lender Difficulties in Finding Borrowers

Locating borrowers at repayment time was a significant problem for most lenders. Lenders also consistently complained of the lack of cooperation and assistance from the schools in verifying loan status and tracing defaulting borrowers.

Data Validity

RMC found considerable differences between its survey data and OE's GSLP master file for borrower loan status. For example, 44 percent of the defaulters identified by the lenders were listed as nondefaulters on the GSLP master file. Thus, any analysis using data from the GSLP master file must be carefully interpreted.

Conclusions Relating to Borrowers

Analysis of the data provided by lenders about the sample of selected borrowers plus other related data suggests that the defaulter population can be distinguished from the general GSLP population on a number of dimensions:

- higher attendance at vocational schools—in particular, vocational schools that act as direct lenders;
- higher dropout rate; and
- weaker relationships with the lender.

It is interesting that neither the number of loans nor the amount of debt was in any way significantly related to default rate.

Defaulters as a group have a very loose relationship with the lender from which they borrow. Many of them do not ever meet with the lender. Many defaulters are never found by the lender when repayment is scheduled

to begin. Sixty percent of the defaulters come from families with no account relationship with the lender; only 30 percent of the nondefaulters do.

As a group, vocational schools exhibit default rates more than twice as high as colleges and universities. Vocational schools that also act as direct lenders exhibit default rates near 50 percent, which is about four times higher than the default rates for colleges and universities. Nearly all of the students who eventually default in vocational schools enter with the intention of getting a job in their fields. However, two-thirds find the schools are of no help in placing them, and only 17 percent eventually end up with jobs close to their fields of training. We cannot conclude that the problem is a lack of quality in the vocational program, although our site visits have confirmed this in certain cases.

RECOMMENDATIONS

For the contractor, making recommendations is not a straightforward process --especially for a program as complex in its objectives and impacts as GSLP. Recommendations require value judgments--trade-offs between, for example, program effectiveness and efficiency on the one hand and social equity on the other. RMC has not attempted to resolve such trade-offs in the recommendations that follow on the principle that this would require political decisions beyond the mandate of a contractor.

Recommendations Affecting Lenders

- Competitive rates of return to lenders are important if GSLP investment levels are to be maintained. Administrative actions that would reduce lender operating costs or an increase in the special allowance rate both contribute to lender net returns.
- Economic returns to lenders should be increased significantly if investment levels of GSLP are to be increased. It does not appear likely that lenders will divert additional funds from other investment areas in the absence of increased comparative rates of return. Increases in interest revenue or reduced lender costs would be steps in the right direction.
- Increased efficiency of lender operations could be achieved through OE actions in three areas:

  (1) defining due diligence in specific terms,

  (2) redesigning forms and procedures, and

  (3) investigating the feasibility of OE doing more central record-keeping, thus reducing lender costs.

Recommendations Intended to Reduce Loan Default

- Certain types of borrowers or lenders should be eliminated from the program if the current high default rate continues and if its impact is as serious as it seems to be. Although it is possible that equitable access to student loans may be compromised by such an action, it should be recalled that other programs (e.g., BOEG) are aimed at assisting many of the borrowers that would be affected by such a change.

  Some specific suggestions include adding the ability to repay as a criterion for loan eligibility, eliminating vocational schools from GSLP eligibility, eliminating vocational schools as direct lenders, and establishing separate programs, one for vocational schools and one for regular academic collegiate programs. Finally, lenders could be allowed to require co-signers and encouraged to require previous family account relationships.

- OE should implement various administrative and policy changes aimed at reducing high borrower default through improving the ability to locate borrowers at repayment time and otherwise improving the ability to collect loan obligations.

- OE's loan collection process on defaulted loans should be tightened up and a harder line taken.

- OE should establish direct contact with the borrower.

- Either the student or the school should be required to provide annual notification to lenders about change in status and location.

- Consideration should be given to limiting the extent to which GSLP schools or lenders with excessively high default rate experience are continued in the program.

Recommendations for Further Research

The following suggestions for further research anticipate further requirements for program evaluation and control:

- continue to improve the quality of the GSLP data base,
- periodically update the findings of this survey,
- study the operating costs borne by lenders,
- study the operations of selected GSLP state guarantee agencies, and
- examine the problems faced by GSLP schools in participating in the program.

Many of the recommendations we have made about changes in GSLP policy are already being seriously considered for implementation--particularly those that relate to eliminating certain groups or institutions for eligibility. RMC strongly urges OE to initiate studies into the impacts of such actions, both on the schools and on the students. Similarly, some of the recommendations imply the establishment of administrative standards. These should also be studied. For example, if financial ability to repay a loan is added as a criterion for eligibility, then further research into earnings levels that are sufficient for repaying selected loan amounts would be essential.

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INTRODUCTION

BACKGROUND OF THE GUARANTEED STUDENT LOAN PROGRAM

The Guaranteed Student Loan Program (GSLP) is authorized under the provisions of the Higher Education Act of 1965, Title IV-B, as amended, and is currently one of the major student aid programs of the Office of Education.[1] The objective of the program is to provide students with a means of financing part of the cost of education. GSLP supports the goal of equalizing educational opportunity by helping students overcome financial barriers to post-secondary education. The principal of the student loan is primarily provided by over 19,000 lending institutions, such as commercial banks, savings and loan associations, credit unions, insurance companies, pension funds, and eligible educational institutions. Over 200 educational institutions and a few state agencies make direct loans.

GSLP provides federal funds for "interest benefits," a special allowance to lenders, and payment of default claims to lenders. While the student is in school, during a maximum 12-month grace period and during periods of authorized deferment, the federal government pays the total interest on behalf of eligible students. For loans made prior to March 1, 1973, students, whose adjusted family income was less than $15,000, qualified for subsidized loans. Under the Education Amendments of 1972, which became effective on March 1, 1973, interest is paid on behalf of students whose loans are determined to be eligible for such payment on the basis of a recommendation resulting from a needs analysis made by the school. The special allowance, which was authorized under the Emergency Student Loan Act of 1969

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1. The program is also referred to as the Federally Insured Student Loan (FISL) program. For purposes of this report, GSLP and FISL are considered synonymous.

and which may not exceed three percent per annum, varies with the condition of the money market and is paid on the average quarterly unpaid principal balance of all loans made after August 1, 1969.

The most recent amendment to the Higher Education Act (PL 32-269), which became effective on June 2, 1974, changed the basis for determining eligibility for interest benefits. While students with adjusted family incomes of less than $15,000 previously were eligible for interest subsidies, the amendment established a different needs test that, as applied by lenders, tended to reduce the number and/or size of subsidized loans. These regulations provide for automatic eligibility for annual loans up to $2,000, but require a needs test for the loan increment from $2,000 to $2,500.

Currently, the maximum individual loan may not exceed $2,500 per academic year. The total aggregate loans outstanding may not exceed $7,500 for undergraduate students and $10,000 for graduate or professional study, including amounts borrowed at the undergraduate level.

Any student may apply for a loan who has been accepted for enrollment in an eligible school or who is already in attendance and in good standing, and who is a citizen of the United States or is in the United States for other than a temporary purpose. In most states, half-time students are eligible, but some state agency programs require full-time attendance. Residency requirements also vary in some states.

Twenty-eight states or private agencies and the District of Columbia administer their own guaranteed loan programs. The agencies may contract with the commissioner of education to reinsure 80 percent of the principal of the loan if loss is incurred by the agency in meeting its obligations to lenders on guaranteed loans in default. No fee is charged for the reinsurance. The Federally Insured Student Loan Program operates in the remaining states. In addition, the Act authorizes federal insurance for lenders operating on an interest basis for students who by virtue of their residency do not have access to a state program. Under the federal program, the commissioner will insure the lender for 100 percent of the unpaid principal and interest outstanding at the time the loan enters into default. The insurance premium charged is one-quarter of one percent per annum on the principal amount of the loan for the period from disbursement through the expiration of the 12-month period following the expected date of graduation.

By the end of Fiscal Year 1975, it is expected that loan disbursements totaling $7 billion will have been made to students under this program. More than $1.1 billion will have been disbursed in Fiscal Year 1975 alone. These dollar figures translate to participation by over 6 million students, 19,000 lenders, and 8,200 educational institutions. Federal operations began in Fiscal Year 1968 and the amount of insured loans increased rapidly during the succeeding six fiscal years. Although loan volume increased in all types of educational institutions participating in GSLP, the specialized and vocational (proprietary) sector increased its participation most rapidly. It accounted for $2.9 million in loans in Fiscal Year 1968, $19.4 million in Fiscal Year 1969, $15.2 million in Fiscal Year 1970, $143.2 million in Fiscal Year 1971, $242.2 million in Fiscal Year 1972, and $218.2 million in Fiscal Year 1973. With this growth in all sectors, there has been a corresponding increase in interest benefits and special allowance payments as well as in claims payments for death, disability, bankruptcy, and default. In fact, because these payments have increased so rapidly, it has been progressively more difficult to estimate accurately the amounts that should be requested in the President's Annual Budget to operate the Student Loan Insurance Fund (SLIF).

For each of the last several years, the Office of Education has required far more money than originally requested for payment of its GSLP obligations. Because of this, OE initiated research activities (including the present RMC survey) to better understand the lending/default process and to develop better data/techniques for estimating GSLP revenues and expenditures.

PURPOSE OF THE STUDY

The general purpose and specific research objectives of this study may be best understood by briefly examining the conditions that prompted its initiation by the Office of Education. Before and during the project formulation period, an increasing number of questions had been raised concerning the cost and effectiveness of the Guaranteed Student Loan Program. Federal costs were increasing steadily for both its interest subsidy and reimbursement to lenders when students had not fulfilled repayment obligations on their loans (i.e., defaulted). Of even greater concern was the unknown extent of future federal liabilities that were implicit in new or already issued GSLP loans. In particular, it appeared that default rates were increasing to levels far above expectations and had already caused several supplemental appropriation requests to cover unexpected GSLP costs. In addition, there was increasing concern that

the program would not be able to fulfill its objective of providing substantial financial assistance to college students because many lenders were reducing or eliminating their financial participation in GSLP (due to dissatisfaction as well as a tightening money market). Furthermore, the very high default rates for certain demographic groups and types of schools raised several questions of efficiency and equity (e.g., Was it "fair" that large percentages of certain types of students were refusing to repay their loans?).

Addressing these issues and questions was complicated by the lack of adequate data from existing information systems maintained by the Division of Insured Loans (DIL), the group within OE with operational responsibility for GSLP. Even though large computer-based files were maintained on all loans ever granted by GSLP (both federal and state guarantee parts), there were two significant difficulties: (1) much of the information needed to address current issues was not currently collected, and (2) some data in existing files were of questionable quality since there was often a considerable avoidance or lag in lender and school reporting of status changes. It is against this background that OE (specifically the Office of Planning, Budgeting, and Evaluation—OPBE) initiated two projects related to GSLP. The first was to analyze existing GSLP data files on default relationships and to develop a Loan Estimation Model that would allow projection of OE future cash flow requirements (for interest and default obligations) based on the present mix of relationships of GSLP loans. The second study (RMC's present contract) required the collection and analysis of new data, specifically a comprehensive survey of a representative sample of GSLP lenders and borrowers. This survey was intended to obtain types of data not otherwise available, including repayment details, borrowers' attitudes, lender procedures, and lender attitudes. At the same time, this survey would validate certain items of the existing data base and obtain several data items needed to estimate parameter values (or refine earlier estimates) in the internal relationships of the Loan Estimation Model being developed by the first project.

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1. More recently, this organization has been renamed the Office of Guaranteed Student Loans. In this report, the older title, Division of Insured Loans, is used.

In summary, both of these projects were designed and supervised by OPBE to improve available data and knowledge about the GSLP loan/default process and to explore the important issues that are critical to ongoing policy deliberations in OE and Congress concerning GSLP. While both are exploratory and one-time in nature, they will add considerably to the limited base of knowledge about the student/lender process.

During the early phases of this project, RMC and OPBE expanded the general purpose of the survey into more specific objectives that could serve as guidelines for the subsequent questionnaire design and data analysis activities. The following paragraphs summarize this information.

The lender and borrower surveys are designed for three general purposes: first, to collect information for the Loan Estimation Model that is not currently collected; second, to collect program information that is currently collected, but for which there has never been any form of validation, and, third, to collect data that will be used to better understand the possible causes of increasing loan defaults among student borrowers.

The specific objectives of the lender survey are as follows:

(1) to expand on the information lenders currently report to the Office of Education, particularly for data needed on a one-time basis for OE's Loan Estimation Model;

(2) to determine lender experience with loan defaults that will be used both to validate the OE file data and to assess certain qualitative aspects of the loan portfolio;

(3) to determine some of the important procedures relating to lender administration of guaranteed loans—that is, the approval, servicing, and collection of such loans;

(4) to estimate some of the primary costs associated with the administration of guaranteed loans; and

(5) to determine some of the opinions, viewpoints, and more formal policies that constitute lender response to the structural and administrative requirements of the GLS program; and

(6) to determine certain aspects of borrower repayment experience with lenders, including the setting of repayment terms and amount of monthly payment.

Related to each of the specific objectives of the survey are numerous policies, procedures, and administrative variations that are important for a more complete knowledge of the default phenomenon, but for which a questionnaire is an inappropriate instrument. The study design therefore included extensive interviews at 40 lending institutions, with each individual lender or group of lenders chosen in relation to a particular aspect of the default process or a particular set of questionnaire items for which RMC wished to gather additional background information.

The lender and borrower data are also related to the OE Loan Estimation Model. The Guaranteed Student Loan Program currently collects a large amount of data relating to the characteristics of the borrowers (including the characteristics of their loans), the lending institutions, and the educational institutions attended (which are sometimes also the lending institutions). These data are part of the individual loan transaction records, parts of which are recorded in five separate computer files maintained to provide processing flexibility for program operations.

However, the usefulness of the GSLP Loan Estimation Model is directly dependent on the validity and reliability of these data, which represent over 5.5 million loans to over 3 million borrowers. To the extent that the recorded data do not accurately represent the actual characteristics of borrowers, loan transactions, and lending and educational institutions, the Loan Estimation Model will produce distorted forecasts of future defaults, interest benefits, and premium income. Presumed inaccuracy of data may be partially caused by deficiencies and problems in the data delivery and recording phases of the GSLS II system. The lender survey—constituting an independent, randomly stratified representative sample—was intended to reveal the rough dimensions of data inaccuracy from the GSLS II files currently being used by the Loan Estimation Model. In addition, certain borrower repayment and financial data that the program does not collect were obtained. These data relate to assumptions about the distribution of default claims over time (partially a function of the length of repayment terms) and to the employment and income characteristics of repayers on the one hand and defaulters on the other.

SAMPLE DESIGN

The sampling plan flowed directly from the study's primary interest in the GSLP repayment and default processes. The universe was therefore defined to include borrowers and associated lenders who had obtained federally guaranteed loans (including state guarantee agency loans) and who had one or more loans converted into repayment. This included borrowers who had ever become obligated for repayment (even if they never started repaying), and those who had already fully repaid their loans.

The research design led to the need for a representative sample of GSLP lending institutions and a representative sample of GSLP borrowers who had reached or completed the repayment stage. Mail questionnaires were designed and sent to sample lenders. Included were a Part I, covering aggregate institutional operations, and a separate Part II, covering the behavior of each sample borrower associated with that lender. A separate questionnaire was also sent directly to each sample borrower. However, a large proportion of invalid addresses and many nonrespondents resulted in a poor overall response, particularly for the most important subgroup—the defaulters. The resulting low precision of estimates from this direct borrower survey limited its usefulness, and this report draws only on the indirect borrower data supplied by lenders.[1] In any case, the sample was drawn to represent the borrowers in repayment that could be (and was) used for a direct survey.

The only usable sampling frame for the survey was the large data file on GSLP participants maintained by the Division of Insured Loans of the Office of Education. A series of separate, but interrelated, computer files are maintained by DIL covering all GSLP loans since the federal program started in 1965. RMC prepared a consolidated unduplicated computer file of borrowers and associated lenders with converted loans to use as a universe

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1. A separate report incorporating analysis of the direct borrower survey data was provided by RMC to OPBE for internal use. See A Survey of Lenders and Borrowers in the Guaranteed Student Loan Program, RMC Report UR-228, November 1975.

for sampling (since most DIL files are kept by individual loan and do have overlaps). Borrowers were selected for this file if there was a reason to expect (based on such factors as expected graduation date) that they should have entered repayment status, even if a confirmation of the status was not on the master file. This procedure was adopted to avoid possible bias from certain borrower types not being properly updated on the central OE file, even though it was recognized that some sample members drawn from this universe would be dropped later if initial status confirmations from lenders indicated them to be deferred or otherwise not yet liable for repayment. The resulting total number of borrowers in this universe file was about 1.5 million. The universe file was processed to produce a cluster sample of approximately 10 borrowers from each of 800 lenders.[1] Although the detailed procedures were those best suited to computer operations (since all sampling was done that way), the resultant sample was designed to satisfy standard statistical rules and criteria.

With respect to lender data, lenders were sampled with probability proportional to the number of borrowers who had reached repayment status. Thus, a lender with 1,000 such borrowers would have 10 times as much chance of selection as one with only 100. This approach of oversampling the large lenders tended to reduce the sampling variability of aggregate estimates since, in making estimates, the report of a lender with 1,000 borrowers was multiplied by a weighting factor only one-tenth as great as that of a lender with 100 borrowers. It was believed that a sample of 800 lending institutions selected in this fashion would be adequate to provide the desired data by the major types of lenders. To ensure representativeness,

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1. Initial examination of the lender data base indicated a sample of more than 10 borrowers would be needed for a few very large borrowers to avoid low sampling rates for them. RMC was prepared to hold special discussions with those few lenders to gain their cooperation, but no significant problems of this type were encountered. The number of borrowers per lender was not important for analytical purposes since the responses were not used to estimate characteristics of that lender, but rather for examining the universe of borrowers in repayment as a class.

the sample of lenders was stratified by all 13 lender categories even though it was known that tabulation and analysis was only feasible for about six or seven composite categories having sufficient sample size. It was not possible to specify the specific categories until the sample data had been examined. Since lenders having over a specified number of borrowers in repayment were selected with certainty, the sampling variation was reduced. Thus, the range of variability of lender size within a lender category must be considered along with the absolute number of lenders.

The general approach was that lenders were ordered by type of lender and ZIP Code and then a systematic sample was taken with the appropriate skip intervals of borrowers. Since the skip interval was expected to be about 2,000 (1.5 million divided by 800), this meant that any lender having over 2,000 borrowers converted to repayment was sure to be in the lender sample. For categorical data--i.e., proportion of borrowers associated with lenders that had a given characteristic, or proportions of lenders with a given characteristic--the sample size was designed to produce standard deviations of less than two percentage points. For aggregate data, such as total loan volume by year, the sample was expected to be quite efficient, but the sampling errors were not known until estimates were made from the survey data.

It was further felt that there was a need to verify the eligibility of the selected borrower at the same time addresses were requested from the lender. The need for verification of current borrower status stemmed from many indications that the GSLP master files used for sampling might be out of date or contain significant amounts of other errors concerning the eligibility criteria. To check the present repayment status for the 10 selected borrowers should have been a very simple task for each lender.

The borrowers in the survey were selected by a systematic sampling process from the borrowers converted to repayment in the selected lending institutions. This process ensured that each borrower within a stratum who had reached repayment status would have the same initial chance of selection. It was planned that a sample of about 8,000 borrowers would be drawn. The chance of selection would then be on the order of 1 in 200, corresponding to a borrower file of 1.5 million. If data for each of 8,000 sample cases

were obtained, it would be possible to make estimates for the entire file by giving each sample return a weight of 200. However, we did not, of course, expect to get data for all 8,000 sample borrowers.

We emphasize that, although the cluster sample design minimized the number of lenders that had to be contacted for borrower data, it did not mean that the sample of borrowers was disproportionately concentrated in large lenders. Since a smaller fraction of borrowers was taken from a large lender than from a small one, each borrower had the same chance of selection regardless of the size of the lender with which he was associated. Overall probability of being selected was the product of the probability of the particular lender being selected and the probability of the selection of that borrower from among that lender's eligible group. The borrower sample should give adequate representation of any class of borrowers constituting 10 percent or more of the universe. For example, if the universe contains 10 percent from proprietary vocational schools, the borrower sample should allow proper estimation of the characteristics of that group.

The recommended borrower sample size was chosen after consideration of its effect on sampling variance. In the universe of specific borrowers, we had various universe control counts, so the sample need only be used to estimate proportions. Since the sample of borrowers was clustered within each institution, it will have a somewhat larger variance than would a simple random sample of the same size. On the other hand, the systematic nature of the sample should produce some gains of stratification. For an estimate of a proportion (p) of borrowers who have a given characteristic based upon n responses, the standard deviation is governed by the relationship:

$$\sigma_p = \sqrt{\frac{p(1-p)}{n}} .$$

Thus, an estimate of an upper bound on the standard deviation can be made by assuming the cluster sample doubles the variance, p equals the worst case of 0.5, and 2,500 completed questionnaires were received. The maximum standard deviation is then 0.14 or 1.4 percentage points.

QUESTIONNAIRE DESIGN

To implement the survey objectives, it was necessary for RMC to design and test questionnaires for collecting data about GSLP lenders and borrowers. The following paragraphs describe that design process.

The two questionnaires were developed in several steps. Working with the original materials from the RFP, a list of major policy issues of concern to OE was first drawn up and specific research questions were laid out. Preliminary consultations were held between RMC staff and OE personnel who deal with GSLP loans, in particular with repayment terms and claims. Working with information already available in OE records, it was determined that the terms of repayment per se were not of central importance, as had originally been thought, since a very high percentage of borrowers who were repaying were doing so at the minimum monthly rate. Rather, the problem of the default phenomenon--its frequency, the reasons for its occurrence, and the impacts it might have on such things as lender participation--was determined to be a central focus for the borrower survey. Similarly, the concept of the level of participation of lenders in the GSLP program was singled out as the primary focus of the lender survey.

Thus, RMC project staff, working primarily with the project monitor in OPBE, compiled potential questions that were intended to address these major issues. For instance: What are the major factors that might account for borrower default? Do default rates differ substantially between types of school attended? What factors tend to discourage lender participation--cost of handling these loans compared with others, experience with having many defaults, low returns on loans?

Working with these questions, RMC staff assembled a first working draft questionnaire that laid out all the information required to address the questions and gave tentative form to the questions themselves. These first versions were quite lengthy and were used to aid in the further specification of priorities for the study. The drafts were reviewed by OPBE, by RMC staff and management, and by consultants familiar with the policies and

officers of a small number of lenders in the local area were interviewed informally to determine how burdensome some of the proposed questions for lenders would be and whether questions of confidentiality of information would be involved in mounting the surveys.

RMC staff then redrafted the instruments, taking into account the need to reduce respondent burden by reducing the length of the items and focusing on priority items. A second working draft was assembled and circulated within the offices of OE concerned with program development and administration of student loan programs, as well as within OPBE. While awaiting comments on this, a slightly revised version of each instrument (the revisions mainly corrected errors in format) was used for pretest purposes.

The Office of Education provided RMC with a list of 16 lending institutions across the country. The list included the name and telephone number of a contact person at each bank. Nine of the lending institutions were contacted and eight agreed to assist in the pretesting of both Part I and Part II II of the lender questionnaire. Each lender was asked to note any areas of ambiguity and to suggest any improvements. Six of these eight institutions responded within the necessary time span.

The pretest proved to be extremely helpful in pointing up problem areas. These difficulties were corrected in the following ways:

(1) Questions that required too much detail or that were a burden to complete were pared down to their essential components.

(2) Questions to which most participants could not provide answers were eliminated if not critical to the analysis.

(3) Questions that were redundant or irrelevant were eliminated.

(4) Questions that were ambiguous or confusing were clarified and refined.

(5) Questions that had inadequate response categories were enlarged.

2

UNDERSTANDING THE STUDY RESULTS

STUDY LIMITATIONS

To understand the results of this study, it is essential to bear in mind the complexities and difficulties inherent in any study that rests on the collection of loan information from lending institutions and borrowers. Many of these features reside in the details of the processes by which data were identified and collected. Appendix A is a detailed description of the field procedures that were used in this project, and the reader is urged to read that description carefully. However, for those whose time and interests will not permit this, we present here the key features of an informed assessment of the quality of data collected and stability of the conclusions drawn in the course of this study.

To prevent the reader's coming away from this discussion with the wrong conclusions, it is useful to reiterate that these complexities and difficulties are characteristic of many studies of this sort. RMC's preparation of conclusions and recommendations has taken these possibilities into account. Even though these limitations were recognized by OE and RMC in advance, this survey was initiated because data about GSLP were not otherwise available and this was considered the most feasible way of obtaining that information. Of the potential limitations, nonresponse bias is the most significant. Considerable attention has been given to better understanding its impact. The other qualifications appear within the range of acceptability for studies of this type and are not expected to have significant impacts on the study conclusions.

Immediately following are brief discussions of the major issues important to understanding the study results. The final sections of this chapter examine the more important of these at greater length.

Sampling Process

For both lenders and borrowers, it was obviously necessary for this survey to address a sample of participants. While any sampling process introduces the possibility of errors, this particular source of limitation is relatively small and controllable. As discussed elsewhere in this report, RMC prepared a carefully structured stratified sample of lenders and borrowers from the universe of all GSLP participants who had ever become liable for repayment, as indicated by the master data file at the Office of Education. Although this was clearly the best universe available for sampling purposes, the file apparently misclassified some participants and had incorrect or missing data elements for others. Therefore, the universe represented by the sample used may be slightly different from the universe of interest. All things considered, RMC does not believe that the limitations produced by this sampling procedure are of major concern.

Nonresponse Bias

The purpose of the sampling process is to make inferences about the general population (the universe) from which the sample was drawn. We would therefore like to be able to say that the characteristics exhibited by the sample respondents are representative of the general survey population. This statement rests on the assumption that the response phenomenon is random; i.e., all the people in the sample have an equal opportunity to respond and have exercised it.

Although this is generally not true, it appears to be a very reasonable assumption in the cases of the lender survey and the survey of borrower data supplied by lenders.

First of all, the 70 percent of the lenders in the sample who returned questionnaires represents a substantial majority and includes 18 of the 20 largest GSLP lenders in our sample. Secondly, the known reasons for not completing the questionnaire do not point to a systematic deletion of certain lenders from the sample (and thus any systematic source of bias). No adjustments for nonresponse bias were therefore made for the data on lender operations or attributes because these adjustments would not be expected to add value to the data.

Given that no significant sources of bias are apparent in the lender survey, the only way in which biases could appear in the borrower data would be as a result of lenders' systematically not supplying data on certain classes of borrowers. In this regard, the only systematic patterns discovered by RMC were related to the lender's recordkeeping methods: Certain lenders tended to destroy or put in inactive storage the records of loans that were paid off (whether normally or by default) and were unwilling to retrieve the information requested by this survey. Lender responses about individual borrowers covered about 60 percent of the original borrower sample. Coverage of the borrower responses was compared with the original sample to investigate for nonresponse bias and adjustments were made where significant response differences were found (all adjustments were small).

Item Nonresponse

A somewhat different type of nonresponse bias is created when particular questions or groups of questions are left unanswered on a survey form that is otherwise usable. This presents little difficulty in the tabulation process since only the valid answers are tabulated and data summations can be expressed in terms of percent of those responding to a given question. However, the interpretation of the data results may be weakened since the effective sample size for particular areas of inquiry may be reduced by such items of nonresponse.

The lender replies often included a significant number of unanswered questions. In most cases, this appeared to be because the lenders did not maintain their records such that they could conveniently answer a given question.[1] Some lenders commented that they were too busy to look for the information or even to estimate it separately. The largest category of incomplete answers was from the Part II form of the lenders' survey, which

1. Some of this effect was expected since one questionnaire had to be designed for use with many types of lenders (from small credit unions to the biggest banks) who kept their records in many ways and at different levels of detail.

requested information about individual sample borrowers. A large number of these were returned almost totally incomplete because the lender did not have records available on the borrowers. In some cases, this was because the lender could find no record for the loan. However, the reason for this was usually because the loan had been fully repaid (by claim or borrower) and therefore the records had been destroyed or put in dead storage. RMC was careful to make maximum use of all data provided, but we were not in a position to go back to individual respondents and ask a second time for specific data items that were missing.

Incorrect Answers

An additional contribution to low data quality occurs if the respondent provides an incorrect answer to one or more questions on a completed questionnaire. Although RMC has no way of knowing how often this occurred, special attention was given to minimizing this factor where it could be observed. All survey responses were subjected to computer editing that checked for invalid answers that were outside previously established ranges or did not otherwise meet established criteria for valid data. This editing process also identified errors caused by incorrect data transcription, keypunching, or computer processing. These errors were then checked and corrected. Short of a separate validation study, RMC has no way of determining whether the respondents told the truth; as long as the answers appeared reasonable, they were accepted as correct statements. In the area of attitudes and opinions, we were particularly interested in the behavior of the respondent even if that behavior was determined by perceptions that, in reality, were not correct.

Timing

Another factor that must be kept in mind when interpreting the results of this survey and the conclusions drawn from them is the timing of the survey. All of the statistics and most of the opinions in this survey relate to a period several months prior to this final report. Statistical data for loan status and other financial data were requested as of January 1, 1974. Since respondents were completing the survey about six to eight

months after that date, the responses from some lenders probably reflect their status and attitudes at the time they filled out their questionnaires. In addition, the present procedures for GSLP are somewhat different from what they were during the response period. It is also certainly true that economic conditions continued to change, some for the better and some for the worse. These changes probably affected the financial situations of both the lenders and the borrowers. However, these kinds of lags are inevitable in a survey of this sort because of the time required to design the survey, obtain OMB clearance, obtain responses, and write the final report.

Although changes in economic conditions and program regulations have occurred, the major problems of rising defaults and lender relations remain. RMC believes that this normal timing lag does not significantly reduce the usefulness of the results and conclusions of this study.

RESULTS OF INITIAL REQUEST TO LENDERS

As mentioned earlier, a two-stage process was designed to secure from the lenders the most current status and address of each borrower selected for the sample. This provided an opportunity for validation of certain GSLP data and definition of the borrowers to be covered by later detailed questionnaires. Follow-up requests were sent to these institutions as required, and eventually responses were received from all but 30 of the 784 sample lenders. Approximately 97 percent of the sample of borrowers was accounted for by this lender response.[1] The remaining 30 lenders were sent special requests for borrower addresses along with their questionnaires.

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1. RMC cannot be sure of the incidence of the reasons some lenders gave for not sending addresses for all sample borrowers. RMC received comments from some lenders, but cannot be sure of the importance or extent of these reasons among all nonresponding lenders. Based upon telepone calls and written comments, it appears that many lenders did not have the addresses readily available in their record-keeping systems. Most lenders had records for "closed" loans (fully repaid by borrower or GSLP) in inactive storage and were unable or unwilling to search that file system. Of course, many defaulters were in that status because the lender was unable to find the current location of the borrower.

The responses provided by lenders constitute one important result of this survey and they are presented in Table 1. All the categories are self-explanatory, with the possible exception of columns 6 and 7. Where the lending institution indicated it had no record of a borrower, two subcategories were established by RMC. If the bank indicated it had fully examined its records or otherwise indicated it had exhausted its ability to check, the borrower was recorded as classification 6 and no further follow-up by RMC was conducted for that institution. If, however, no reason was given for checking "no record," the borrower was categorized as 7 and questionnaires and other follow-up activities were carried out by RMC. This approach was used because RMC had indications that many of the "no record" designations by lenders involved records in dead storage or similar situations. It was hoped that additional follow-up with questionnaires would convince these lending institutions to pursue the matter further. For the "no record" (category 6), a printout by individuals was provided to OE so further investigation of the true existence of such loans could be pursued by OE if desired.

Table 1 reveals that only about 11 percent of the borrowers were not covered by addresses, with the bulk of these being from the "no record exists" category.

Table 1

BORROWER PROFILE BASED UPON INITIAL LENDER RESPONSE

Category	Borrower Status Indicated by Lenders								
	(Blank) No Status Indicated	1 In Repayment	2 Paid In Full	3 Default (except deceased)	4 Deceased	5 Not Yet Due	6 No Record (no follow-up)	7 No Record No Record (follow-up)	Total
With Addresses	8	3,158	1,988	736	22	1,128	22[a]	78[a]	7,150
Without Addresses	1	22	314	43	15	9	107	415	926
Total	9	3,180	2,312	779	37	1,137	129	493	8,076
Colum % of Total	0.1%	39.4%	28.6%	9.7%	0.5%	14.1%	1.6%	6.1%	100%

a. Lenders provided addresses for some borrowers for which they did not provide a record of loan status.

The second biggest category is "paid in full," which, of course, covers older loans and many lenders who no longer keep records on such individuals. All things considered, RMC believes that fairly good results were achieved in this area.

Two categories of borrowers were not used further in RMC's study as a result of the information received from lender responses. Category 5, "not yet due for repayment," concerned those students not meeting our criteria for being in repayment status and therefore were not pursued further. This amounted to 1,137 students, or about 14 percent. Category 6 was also dropped. This category encompassed borrowers for whom no record existed at the lenders and, therefore, no addresses could be obtained for them by RMC (except for the small number of cases where the lender provided an address) despite checking "no record of loan status exists." These two groups were not used further for the survey since it had been decided earlier that the lender-reported loan status was more likely to be up-to-date. Based upon this assumption, neither group of students should have been in the intended sample of borrowers known to be in repayment, but there was incomplete information to know this when the sample was selected.

Table 2 tabulates the borrower sample in a different way. The vertical dimension lists the loan status of the students as originally identified on the master control file of DIL at the Office of Education. This is the category by which the borrowers were originally identified and sampled, although at that time we knew that some of the classification data were incorrect or out of date. The other dimension, identified by column headings, lists the loan status information reported by the lenders for the same students. This cross-tabulation allows one type of validity check on the loan status data as reported and maintained centrally in the Office of Education. The cross-tabulation of Table 2 covers the full 8,346 students sampled. The approximately 350 borrowers covered by the 30 nonresponding lenders have been combined in the first column (indicated by "no code" for the purposes of this tabulation). This information is generally consistent with Table 1, although a slight difference exists because the tabulation was prepared at a slightly different time.

One significant observation concerns the number of defaulters. As expected, a significantly larger number of defaulters was identified by lenders as opposed

Table 2

CROSS-TABULATION OF LOAN STATUS

OE Reported Loan Status	Lender Reported Status								
							No Record		
	Blank (No Code)	In Repayment	Paid In Full	Default (except deceased)	Deceased	Not Yet Due	No Follow-Up	Follow-Up	Row Total
Default-Death (Code O or P)	1 7.2 0.3 0.0	0 0.0 0.0 0.0	0 0.0 0.0 0.0	1 7.2 0.1 0.0	10 71.2 27.8 0.0	0 0.0 0.0 0.0	1 7.2 0.8 0.0	1 7.2 0.2 0.0	14 0.2
Default-Bankruptcy (Code Q)	0 0.0 0.0 0.0	0 0.0 0.0 0.0	0 0.0 0.0 0.0	7 0.9 0.9 0.1	0 0.0 0.0 0.0	0 0.0 0.0 0.0	0 0.0 0.0 0.0	3 30.0 0.0 0.0	10 0.1
Default (Code N)	26 4.0 7.1 0.3	12 1.9 0.4 0.1	41 6.3 1.8 0.5	492 75.9 63.7 5.9	1 0.2 2.8 0.0	8 1.2 0.7 0.1	12 1.9 9.3 0.1	56 8.6 11.6 0.7	648 7.8
In Repayment (Code M)	67 4.3 18.4 0.8	1,046 67.5 33.3 12.5	198 12.8 8.6 2.4	68 4.4 8.8 0.8	1 0.1 2.8 0.0	95 6.1 8.5 1.1	16 1.0 12.4 0.2	58 3.7 12.0 0.7	1,549 18.6
Paid in Full (Code L)	34 3.4 9.3 0.4	79 8.0 2.5 0.9	682 69.1 29.7 8.2	16 16.0 2.1 0.2	0 0.0 0.0 0.0	53 5.4 4.7 0.6	34 3.4 26.4 0.4	89 9.0 18.4 1.1	987 11.8
Withdrawn (Code H)	114 4.8 31.2 1.4	787 33.3 25.1 9.4	538 22.7 23.4 6.4	129 5.5 16.7 1.5	3 0.1 8.3 0.0	658 27.8 58.6 7.9	30 1.3 23.3 0.4	107 4.5 22.2 1.3	2,366 28.3
Graduate (Code G)	122 4.5 33.4 1.5	1,213 44.4 38.7 14.5	837 30.6 36.4 10.0	48 1.8 6.2 0.6	2 0.1 5.6 0.0	309 11.3 27.5 3.7	35 1.3 27.1 0.4	165 6.0 34.2 2.0	2,731 32.7
Blank (No Code)	1 2.4 0.3 0.0	1 2.4 0.0 0.0	4 9.8 0.2 0.0	11 26.8 1.4 0.1	19 46.3 52.8 0.2	0 0.0 0.0 0.0	1 2.4 0.8 0.0	4 9.8 0.8 0.0	41 0.5
Column Total	365.0 4.4	3,139.0 37.6	2,300.0 27.6	772.0 9.2	36.0 0.4	1,123.0 13.5	129.0 1.5	483.0 5.8	8,346.0 100.0

Legend for Cell Contents

41 ← Count

6.3 ← Percent of Row Total

1.8 ← Percent of Column Total

0.5 ← Percent of Grand Total

to the central OE records. Where the original sample had 8.1 percent in the default and deceased category, approximately 10.3 percent fell in this category based on the more recent lender indications. This higher percentage of defaulters was expected (and desired) due to advance indications that the GSLP claims and collections file (from which the sample was drawn) omitted significant numbers of claims that had not yet been processed or submitted. The desired result was a larger number of defaulters for the purposes of this study.

In terms of the resulting sample that could be used for mail purposes, RMC was satisfied with these results. While it is true that the effective sample size declined owing to the exclusion of about 1,500 borrowers (because they were not yet due for repayment or no record existed), almost all of the decline was in the nondefaulter category. Such sample attrition was expected and was one reason the initial borrower sample had been increased from 4,000 to 8,000 during the design phase.

SAMPLING PROCEDURES

The lender sample was drawn and structured in standard ways, without any significant adjustments that would need to be explained here. However, a few features of the borrower sample, and of the weighting procedures for both samples, deserve to be mentioned.

Borrower Sample

A primary concern of the borrower sampling was to ensure that defaulters were represented adequately. Tables A-3 and A-4 in Appendix A display the distribution of the loan status of borrowers by the lender's ZIP Code area, both for the universe and for the sample. The proportion of borrowers with default codes in the sample (8.1 percent) is about the same as the proportion in the overall universe (8.4 percent). We do not, however, place much credence in this proportion as a measure of the program's default rate since there was a known lag in obtaining that status from the DIL claims and collections file, which at the time of our selection had 138,000 records. Several months later, the file contained over 215,000 records, which was probably the result

of intensive efforts by the Office of Education to update its records and the rapidly increasing number of claims received by OE. It is likely that, if our universe had been created four months later, it might well have shown 12 percent to 15 percent of its borrowers in default status.

RMC believes that, in general, the borrowers and lenders sample produced by these procedures is very suitable for assessing the status and problems of GSLP relative to repayment. Stratification by lender type ensured a good representation on that basis. Ordering lenders by ZIP Code before taking a systematic sample ensured a good geographic distribution, even though that variable was not expected to have any major effect. The distributions of the sample and universe presented in the previous two paragraphs show the results. Although the questionable quality of data on defaulter status precluded stratification on that basis, the resulting sample included the desired number of defaulters (which increased later by about 25 percent when the lenders reported their latest loan status).

Weighting Procedures

The lender selection procedure outlined above amounted to lining up lenders in the universe below a certain size (1,416), by type and then by ZIP Code. That line was split into intervals representing 1,416 borrowers each; one lender was selected from each interval. The lender selected is viewed as representative of the lenders in its interval, and that lender's borrowers as representative of borrowers for lenders in that interval.

In terms of analysis, it was apparent that if estimated parameters for each interval were desired, then the sample lender should be weighted by the ratio of the interval size to the lender size. For example, if the sample lender had 20 borrowers and reported loans of $100, then a reasonable estimate for the interval (since we expected a high degree of homogeneity) was the average loan amount for the lender times the number of borrowers in the interval (1,416); i.e., $100 $(\frac{1,416}{20})$. The quantity

(1,416/20) is the lender's weight. Thus, the estimate of total responses of lenders should be weighted by the inverse of their probability of entering the sample. Weights are:

$$1 \text{ if } n_i > 1{,}416, \text{ and}$$

$$\frac{1{,}416}{n_i} \text{ if } n_i \leq 1{,}416,$$

where n_i is the number of borrowers for lender i.

One problem arose in connection with the weighting of the lender questionnaires because a significant number of sample lenders had consolidated or merged with other lenders. For example, although the Bank of America was represented several times in the lender sample--usually as a certainty lender, but sometimes as a noncertainty lender--it returned one questionnaire for the entire bank. There is no problem in treating the certainty Bank of America branches as one lender. However, if the noncertainty branches had been properly excluded, additional noncertainty lenders may well have been included in the sample. In any event, it would have resulted in a different selection of noncertainty lenders. We have chosen to use the original weights, ignoring the very slight adjustments that could be made to reflect the fact that several certainty lenders are "representative" of a set of borrowers slightly larger than their own.

Similar procedures using the inverse of their probability of selection were used so borrower responses would be weighted to produce accurate estimates of totals for borrowers in the program.

REPRESENTATIVENESS OF THE LENDER SURVEY OF BORROWER DATA

In previous sections, the sampling plan and procedures were discussed. Briefly, the borrower sample was stratified by lender type and lender ZIP Code, and borrowers were selected in a systematic fashion using a random start technique. While the sample characteristics were compared with other sources to establish their representativeness, the possible effects of nonresponse are a separate question. In this section, the problems that arose

because of the relationships between the lender response rate and important program variables will be discussed. Respondents and nonrespondents will also be compared to examine the nature and strength of differences between them.

The variables used in this section come from the files of OE and provide unbiased classifications with respect to response/nonresponse. Although the data defined by these classifications are known to have significant error rates, there is no reason to believe that the errors are related to the response/nonresponse division. Therefore, no systematic errors should be introduced into the cross-tabulations.

The source of information about sample borrowers came from lenders. This survey has a minimal nonresponse problem because the 60-percent response rate for lender-supplied data about borrowers was relatively high and because the self-interest motive does not impact upon the socioeconomic profile of the respondents as it would in a direct borrower survey. Nevertheless, it was felt that some consideration should be given to possible biases. No substantial sources of nonrepresentativeness were discovered when the respondents were contrasted with the sample along the dimensions of sex, race, loan status, school control, program type, and school size.

One notable difference, however, was that defaulters were slightly overrepresented, accounting for 10.2 percent of the responses, while composing only 8.2 percent of the sample. Table 3 shows the complete distribution of loan statuses. The table also displays the appropriate weight adjustment. Almost no other differences were as large as 2 percent; the largest were observed in the vocational category of the program type variable (25.9 percent vs. 23.5 percent), Table 4. The percentage difference is very small and cannot be expected to impact significantly on the study's findings.

The defaulter adjustment will be used throughout the defaulter analysis; it will allow the reader to interpret the following tables as providing estimates of the characteristics of the population in repayment and in the GSLS II files as of December 1973. The important point here is that compensating for bias by making the respondents "look" like the GSLS files allows

Table 3

CONTINGENCY TABLE FOR RESPONDENT/NONRESPONDENT BY LOAN STATUS

(percent)

Borrower Status	Respondents	Universe
Death	0.1	0.1
Disability	0.0	0.1
Bankruptcy	0.1	0.1
Default	10.2	8.2
In Repayment	23.2	19.7
Paid in Full	12.3	14.2
Withdrawn	23.1	27.5
Graduate	30.1	29.8
Unknown	0.7	0.5

Adjustment--defaulters: 0.78
nondefaulters: 1.00

Table 4

CONTINGENCY TABLE FOR RESPONDENT/NONRESPONDENT BY PROGRAM TYPE

(percent)

Program Type	Nonrespondents	Total
College and University	68.9	65.2
Junior College and Institute	8.6	8.6
Specialized and Vocational	23.5	25.9

4,903 respondent cases
7,800 total cases

inference about the files, but not necessarily about the true repayment population.[1] Specifically, adjusting the respondent default rate to the file default rate, when the actual default rate is probably much higher, cannot be said to truly compensate for this bias. Therefore, when default is examined, the percentages of defaulters with a given characteristic will be estimated and the ratio of default rates will be considered, but not the absolute percentage of a particular group who are defaulters.

No attempt will be made to estimate the precision of the estimates; however, each table will show the underlying number of responses in each relevant subpopulation. A reasonable measure of precision is (under the assumption that the characteristic is approximately binomial):

$$\text{Standard Error} = \left[\frac{2\ P(1-P)}{N}\right]^{1/2}$$

or, since $P\ (1-P) \leq \frac{1}{4}$

$$\text{Standard Error} = \left[\frac{1}{2\ \text{Cases}}\right]^{1/2}$$

See Figure 1. For quantitative variables, the usual sample standard deviation will sometimes be displayed.

1. While it is assumed that the central GSLP files include all loans guaranteed, inaccuracies in certain classification data for some loans (such as default/repayment status) will contribute to differences in defining the population of interest for this study; i.e., the borrowers in repayment.

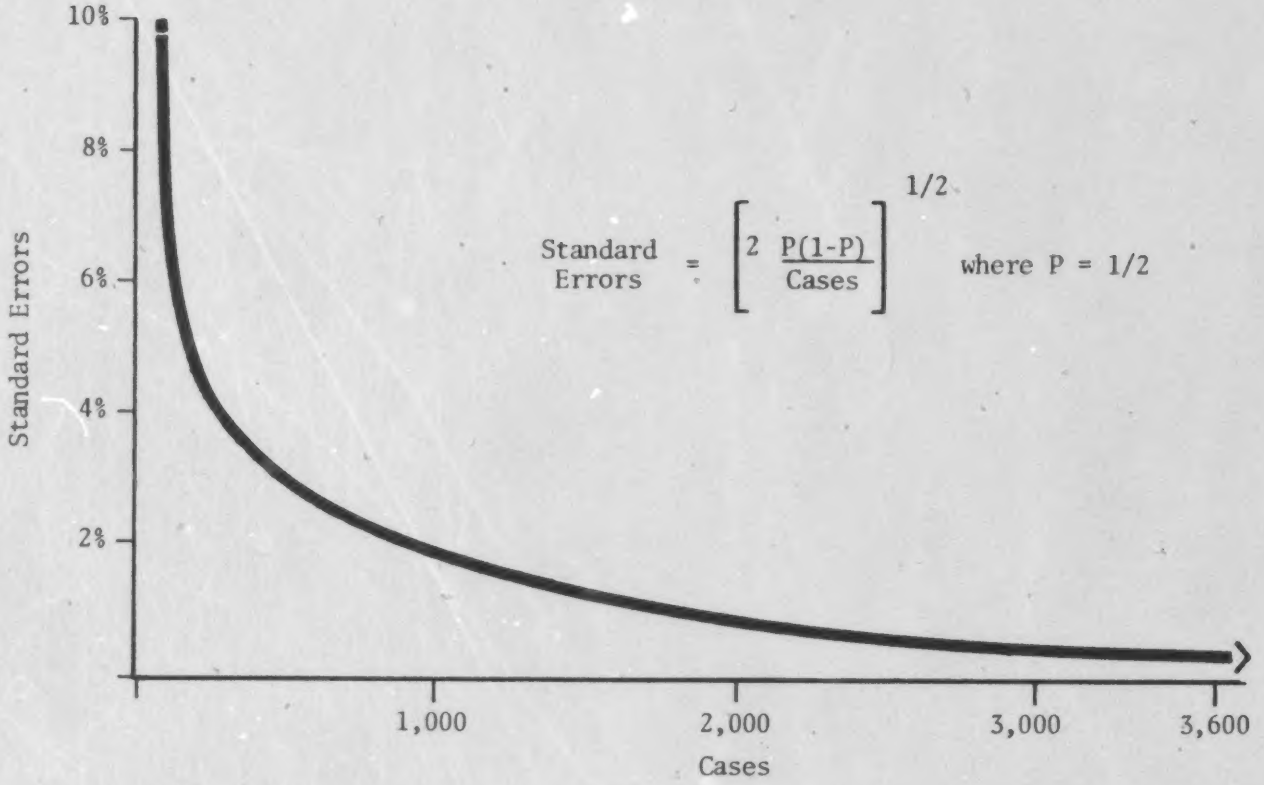

Figure 1: APPROXIMATE STANDARD ERRORS

3

SURVEY RESULTS

ANALYSIS APPROACH

This chapter presents and discusses the results of the survey of lender policies, procedures, and problems. As discussed in Chapter 2, the study design included a comprehensive questionnaire sent to a stratified, systematic sample of 784 eligible GSLP lenders. Although a separate chapter summarizes the results of the site visits to approximately 40 lenders, this chapter draws upon that information and experience when it can help interpret or explain the data from the mail survey. Data from Part II of the lender survey about specific borrowers in the RMC sample are discussed in the final section of this chapter.

Almost all the subjects covered by the questions are discussed in this chapter under the assumption that it is important to examine all available information that might help in understanding the behavior and attitudes of GSLP lending institutions.

There are two approaches to examining the data from the lender survey. A meaningful argument can be made for each, depending on the type of issue being examined or the type of decision-maker involved. The two approaches are to tabulate (or weight) the survey answers considering (1) each lender equally, or (2) the proportionate level of activity each lender has in GSLP.

The first approach assumes each lender participating in GSLP is of equal interest to OE. In one sense, each lender that is unhappy or complains to its Congressman cannot be ignored. However, there is a wide range of lender sizes and OE should probably be more concerned if one or

more large lenders had serious problems or dropped out of GSLP. Thus the second approach would explicitly take into account the impact of each lender respondent on the loan program by weighting its responses by its relative loan volume. In other words, instead of listening to each lender voice equally, each lender is considered to be speaking for the whole number of GSLP borrowers it represents. In the lender analysis and presentation that follow, RMC has taken this latter approach in most cases. Each lender response has been represented in the tabulation by its number of borrowers in repayment;[1] this use is consistent with the defined interest of this study in the processes of repayment and default. (An alternative would have been to use total dollars invested in GSLP as a measure of a lender size, but an extremely close correlation exists between the two measures in any case.) The end result is tabulations of total borrowers corresponding to a particular answer; appropriate inflations have been included for differential sampling proportions for lenders and for the size of the lender in the program. Estimates of population totals are not of concern since the analysis is in terms of proportions. Nonresponse adjustments were not judged necessary because the lender response rate was sufficiently high (about 70 percent) and since only proportions and ratios were needed for the analysis.

The analysis of the lender survey requires examining the mass of lender data from a variety of points of view. In fact, choosing the particular dimensions from among the many available that might provide insights into lender behavior or effects is an important task. RMC first examined (i.e., disaggregated) lender responses along several dimensions to see which ones were useful in explaining or understanding lending behavior. The criteria focused upon variables that had a logical or theoretical basis for affecting lender activities and that served to differentiate relationships in the actual survey data. The several variables that best suited this purpose have been used for further analysis and are brought into the

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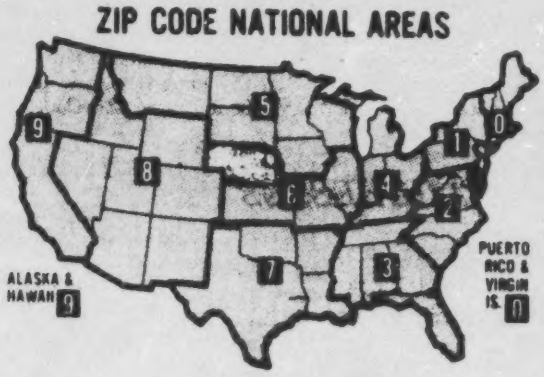
1. Borrowers in repayment include all those who ever reached the point of becoming obligated for repayment, whether they actually repaid, defaulted, or are still repaying. This value was calculated from the OE GSLP master file (dated January 1, 1974) and is therefore consistent with the data and criteria used for selection of the lender sample. This source was considered preferable for weighting because it provided consistent data for all lenders.

subsequent discussions of this chapter wherever they contribute to identifying or explaining relationships. For example, the level of activity of a lender in GSLP varies greatly and almost all subsequent analyses separately consider the effect of this explanatory variable (measured by number of borrowers in repayment). Geographic location of the lender was separately used for cross-tabulations and is discussed in several places where it had a meaningful effect. For this study, geographical location was measured by the 10 ZIP Code national areas (identified by the first digit of the five-digit ZIP Code). The type of lending institutions (i.e., commercial banks,



credit unions, etc.) was separately tabulated for most survey questions, but it was judged useful in only a small number of areas of investigation (partly because about 70 percent of GSLP loans are handled by one type--national and state commercial banks). In addition, other research has shown commercial lender type to be of little use in explaining GSLP default.

Consideration was given to looking separately at GSLP loans insured directly by the federal government and loans insured by state guarantee agencies. However, examination of state agency programs revealed such a wide variety of program differences that it is not logical to accept state agencies as a group to be a meaningful unit of analysis. The number of sample lenders in a given state is not large enough to do separate analysis on that basis.

RESPONSE PATTERN OF LENDERS

The overall response pattern of GSLP lenders in the RMC sample was very good. By the time the survey cut-off was applied, 512 completed responses had been received by RMC. In addition, these responses included another 41 sample lenders that were subsidiary to other sample lenders or had been otherwise consolidated. Since their financial data were consolidated and lender policies/management were common for each of these parent-subsidiary

combinations, it seemed appropriate to use their responses in the consolidated form.[1] This problem of consolidation among lenders was recognized during the study design since the GSLP master file used for sampling provided no way of identifying such dependent status. The decision was made to treat as separate reporting units all sample lenders whose responses showed them to be separate decision-making units.

Including these consolidated lenders, a total of 553 lenders of the sample of 784 are accounted for by the final data, for a gross response rate of 70.5 percent. This response rate compares very well with rates obtained from other lender surveys with which we are familiar. RMC was told informally that the American Banking Association (ABA) questionnaires to its commercial bank members often obtained about a 50 percent response rate. In addition, many of the regular or special requests to GSLP lenders for information sent out by the GSL program office produced response rates much lower than 70 percent.

With a response rate on the order of 70 percent, RMC believes any bias from nonresponse is likely to be small and have little, if any, effect on conclusions drawn from the analysis of the data. Therefore, no attempt has been made to adjust the lender data for nonresponse. However, one area of differential response that might be expected (and could be examined) is by lender size. Table 82 presents the results of that examination. It is seen that larger lenders (as measured by GSLP borrowers in repayment) responded at a somewhat higher rate than small lenders. This effect is probably a combination of (1) the tendency of small lenders not taking the time to complete the survey form (some said they did not have the time or the manpower available), and (2) during the telephone follow-up to nonresponding lenders, RMC concentrated on the larger lenders to have as many GSLP borrowers represented as possible. As a result, if any nonresponse bias exists it would be toward over-representation of larger lenders (only if their responses are different from other lenders). In most of the analysis in this chapter, lender responses are examined separately by lender size to ensure the ability to isolate any possible bias.

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1. Alternatively, it could be considered that those 41 lenders should not have been identified separately in the universe (or in the sample), reducing the effective sample size to 743.

Table 5

LENDER RESPONSE RATE BY LENDER SIZE

Lender Size (borrowers in repayment)	Sample Lenders	Responding Lenders	Response Rate (percent)
0-100	210	127	60
100-199	121	76	63
200-299	68	48	71
300-499	96	65	68
500-999	97	71	73
1,000-1,999	84	69	82
2,000-2,999	25	18	72
3,000-3,999	9	8	89
4,000-4,999	10	9	90
5,000 and over	23	21	91
Total	743[a]	512[a]	69

a. Not listed separately are 41 lenders in the original sample that were reported to be consolidated or merged with other lenders in the sample. Data covering those lenders are included in other lender responses.

The response rates above are based upon unweighted data that consider each lender equally, irrespective of its size or probability of sample selection. The discussion of survey results in subsequent sections is based on data that were normalized to reflect the fact that certain sized lenders were selected with greater probability. After adjusting for sampling ratios, the responding lenders represent 1,112,000 borrowers, which is 71 percent of the total 1,564,343 borrowers known to be in the repayment universe at the time of the sample selection. Even though this survey can only technically make assumptions about the remaining nonresponding group, RMC believes that conclusions and recommendations based upon the lender experience with over 1.1 million GSLP borrowers ought to be on fairly solid ground.

LENDER PARTICIPATION IN GSLP

The level and trends in the participation of eligible lenders in the Guaranteed Student Loan Program is a significant question for the Office of Education. Without the availability of investment funds from lenders, there would be no loan program. The success of the program is directly dependent on such participation, but it is basically voluntary on the part of the lenders. Except for persuasion and exhortation, OE cannot force the lenders to commit funds to this program. It is hoped that some combination of the ability to obtain interest on funds loaned and service to the community and to lender customers will motivate lenders to commit funds to the program. During 1973 and 1974, the level of participation by lenders started to decline and the Office of Education was concerned that lenders would eliminate or decrease their dollar participation. As a result, this subject became one area of focus for the current survey to lenders.

Especially during the past two years, it is likely that there has been an interaction of many factors affecting lenders' motivation to commit funds. During part of this period, modification to the federal legislation instituted a needs analysis as a criterion for determining the amount of loan funds an individual student needed and could be loaned.[1] In addition to creating a somewhat confusing situation about the amount of guaranteed loan funds a student could be provided, this requirement tended to reduce the

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1. RMC did not collect data nor conduct analysis on the effect of this needs analysis requirement since its recent introduction date prevented its having much impact on the areas of default and repayment, which were the main areas of the study.

average size of loans. Another important factor that operated during this period was the unusually high commercial interest rates (which implied a high cost for funds obtained by lending institutions). National economic conditions remained unsettled and uncertain during this period as well.

It is important to recognize that lenders answered the questions to this survey during the third quarter of 1974 (and in the fourth quarter for slow respondents). As a result, their answers to some questions might have been different at an earlier or later period. In fact, the site visits at lenders during the fourth quarter of 1974 and the first quarter of 1975 revealed signs of increasing interest in GSLP investments, probably motivated by the declining commercial interest rates and slowing demand for business loans (which constitute alternative investment opportunities).

One section of the RMC lender survey asked lenders what importance their institutions attached to various reasons for continuing participation in GSLP. Table 6 presents the results of the lender replies. Lenders identify three reasons as very unimportant in their decisions to participate in the GSLP. The most interesting of these is the profitability of the loan. In other words, even though almost all of the participating lenders are in business to make an overall profit, by far the bulk of the respondents said this reason was either not important or only somewhat important in governing their participation. This factor ranked fourth out of six factors identified. In one sense, the intensity of this reply is surprising, particularly given the strong tendency among the lenders interviewed during our site visits to be concerned about the low profitability and high cost of operating the GSLP. Admittedly, there may be a factor here of lenders wanting to maintain a good image; i.e., being known as service-oriented rather than profit-oriented, especially concerning government-guaranteed loans for educational purposes. This question could also have been interpreted by lenders to refer only to the situations where profits were positive; i.e., income exceeded cost. During our site visit interviews, it was commonly expressed that the lender would be satisfied if the program at least broke even (recovered the lender's cost of operation, including the cost of money) and that a positive profit in excess of this was not really needed to justify participation. In the same breath, however, the lenders added that they could not really justify accepting significant losses to remain in the program. Even recognizing these qualifications, it appears significant that the bulk of the lenders

Table 6

LENDER REASONS FOR PARTICIPATION IN GSLP

Lender Reasons for Participation in GSLP	Evaluation[a,b]			Rank[c]
	Very Important (percent)	Somewhat Important (percent)	Not Important (percent)	
The profitability of the loans	13	36	51	4
A service to family members of existing customers	71	17	12	2
As access to potential future customers	39	47	14	3
Service to clients of an affiliated educational institution	9	20	71	5
General assistance to the community in assisting educational attendance and financing	70	26	2	1
Federal government request or encouragement for participation	7	44	49	6

a. Data percentages of responding lenders answering this survey question. Lender nonresponse on this question averaged about 12 percent to 14 percent.

b. Lender responses have been weighted by number of borrowers in repayment.

c. Rank is based on lender identification of factor as either first or second most important to that institution.

claimed in a formal questionnaire that the profitability of the loans was not a very important factor in their GSLP investment decisions.

At the same time, however, a strong lack of importance was attached to the federal government's request or encouragement for GSLP participation. The federal leverage here is admittedly limited. This statement on the part of the lender indicates that incentives and technical assistance may be more important in obtaining lender commitments than a mass of rhetoric appealing to their support of public policy and federal goals.

The third unimportant area involved service to clients of an affiliated educational institution (which rated as extremely unimportant in the lenders' view). This area was investigated partly because of claims that close ties between educational institutions (particularly vocational-oriented) and lenders had led, or could lead, to abuses of GSLP. Our site visits to a few of these school lenders indicated this factor had an extremely important effect for some particular institutions. It may well be that this factor was very important for the small number of institutions affected, but highly unimportant for the large number of institutions not affected. In answer to a separate question, 13.5 percent of the lenders surveyed stated that they did have an association with a particular educational institution such that many or all of the school students received their GSLP loans through that institution. (In only 19 percent of these cases, the lenders and schools were both affiliates of a common parent company; the rest of the lenders conducted a large amount of school banking activities.)

The reasons having the highest positive impact on lender participation in the program was clearly service to family members of existing customers and general assistance to the community in assisting educational attendance and financing. Of course, both of these are key elements in the lender's claim to serving the community. Our site visits found many institutions where access to GSLP loans was restricted to present customers of the lenders or their family members. This was verified by the fact that, in a separate question, 61 percent of the lenders in this survey indicated they always determined whether the applicant or his family was a current customer when they processed the original GSLP loan application. In some cases, the lenders used their customer requirement as a way of rationing the availability of limited GSLP loan funds. It also reflects the lender's view of the objective of the program.

Access to potential future customers was listed as an important reason, but at a much lower level of intensity. This, of course, is related to the

business interests of the institution in that granting a GSLP loan would theoretically create future economic benefits by bringing in customers for other lending activities.

The righthand column in Table 6 ranks the reasons for lender participation based on the lenders' identification of the two most important factors for their institutions. The rank shown is based on the combined effect of the factor being either first or second. The rank order of importance is consistent with the previous discussions of the factors considered on an individual basis: service to the community and customers rank as most important, with federal government request and service to affiliated institutions as the lowest.[1]

In later questions, RMC asked if there were conditions that would encourage the lender to substantially increase the level of its current financial participation in the GSLP. Over 70 percent of these lenders answered no to this question. This 70 percent represents 52 percent of the borrowers in repayment, thus indicating that small GSLP lenders are even more reluctant to increase their participation than large lenders. The question gave examples of such changes as operating procedures of GSLP, the money market, interest rates of GSLP loans, or terms of repayment. The fact that changes in any of these conditions would not encourage 70 percent of the lenders participating in the program to increase their current level should be very significant to the Office of Education if it attempts to prevent declines in total dollar participation or to increase that total.

Table 7 presents the results of RMC's question concerning short-range expectations of the lenders with regard to GSLP. It is seen that only a small percent of lenders expect to cease lending under the program. This information is important because at one time there was strong concern about lenders dropping out--even to the point of threats by some lenders to carry out this action. In the same vein, lenders representing only 12 percent of the GSLP borrowers plan to significantly reduce their current level of lending. Most lenders (49 percent) plan to continue their present level or state

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1. The rank order of these factors was essentially the same when responses were weighted equally by lenders or by their GSLP volume, thus indicating lender reasons for participating were not materially affected by size. The only major difference involved an interchange of the first and second ranked factors. Small lenders tended to evaluate service to existing customers higher and large lenders evaluated general assistance to the community higher.

Table 7

LENDER GSLP PARTICIPATION EXPECTATIONS

Lender Short-term Expectations for GSLP Participation[a,b]	Percent[c]
Plan to cease new lending	6
Plan to reduce lending 10 percent or more	12
Plan to continue present level (plus or minus 10 percent)	49
Plan to increase lending 10 percent or more	6
Participation will depend on customer demand	23

a. Lender responses have been weighted by borrowers in repayment.

b. Lender nonresponse on this question was only 1.5 percent.

c. Above items do not add to 100 percent because of respondent use of "other" category to reflect a variety of miscellaneous expectations.

that their participation level depends directly on customer demand (23 percent). At the same time, only 6 percent of the lenders have plans to significantly increase their level of lending. Presumably, this short-term expectation situation should reflect possible impacts on the total GSL program since these data have been weighted based on the number of borrowers in repayment and almost all sample respondents answered this question. The distribution of lender expectations reflects the lenders' intentions at the time of the survey (which was a time of a very tight money market) during which lenders were likely to have reassessed their policies. All in all, the stated lender expectations indicate a viable situation concerning the availability of loan funds. It would appear that expectations leading to declines in participation would be even less under better and more stable national economic conditions.

Table 8 summarizes the lender criticisms that discourage GSLP investment. The survey asked the lender to evaluate various factors that might discourage it from continuing or increasing participation. The relative importance of these various lender disincentives is obtained from a question that asked the lender to specify the two most important disincentives. The righthand column in Table 8 presents the combined rank based on the factors that were identified as either first or second. "Low interest rates compared to competing uses of funds" was clearly the most important disincentive to lenders. This is not surprising at all and warrants no further investigation. While seven other criticisms are evaluated about the same (very important), two factors are rated unimportant: the high cost of processing payments is only "somewhat important" and other student assistance programs are strongly "not important."

The second ranked criticism is "government delays in paying claims against defaulters." The larger lenders ranked this factor high as a disincentive. In fact, this factor shifted from ranking sixth when lenders were weighted equally to ranking second when weighted by borrowers in repayment. When examining this variable by lender size categories, RMC found that lenders representing over 78 percent of the borrowers in the largest banks (over 5,000 borrowers in repayment) rated this factor "very important." The larger GSLP lenders must have been more intensely affected by claim delays in the recent past.

Table 8

LENDER CRITICISMS THAT DISCOURAGE GSLP INVESTMENT

Lender Criticisms	Evaluation[a,b]			Rank[c]
	Very Important (percent)	Somewhat Important (percent)	Not Important (percent)	
(1) Low interest rates compared to competing use of funds	73	21	6	1
(2) Low total revenue	51	31	18	4
(3) High default or claim rate	51	37	12	5
(4) Long repayment period	39	47	14	3
(5) High cost of processing payments	22	54	24	9
(6) High total cost of GSLP loans	46	42	12	7
(7) Difficulty locating the borrowers at repayment time	52	36	12	8
(8) Government delays in paying claims against defaulters	55	27	18	2
(9) Too much unnecessary paper work	48	41	11	6
(10) Other programs for student assistance are more efficient	5	22	73	10

a. Data are percentages of responding lenders answering the survey question. Lender nonresponse on this question was small--ranging from 3 percent to 6 percent except number 3 (16 percent) and number 10 (11 percent).

b. Data have been weighted to reflect sampling criteria.

c. Rank is based on lender identification of factor as either the first or the second most important to that institution.

This relative concern of the lenders should be of use to the GSLP in its dealings with lenders as well as those planners concerned with changes in the legislation and program guidelines. These factors reflect the self-interest of the lenders, but at the same time identify the areas of possible improvement that are likely to have significant impacts on the participation levels of lenders. There are, of course, costs to the federal government for improvements in some of these areas (such as high interest rates) against which contemplated changes must be compared.

RMC also asked an open-ended question of the lenders to identify conditions that would encourage increased GSLP participation. The various suggestions of the lenders in response to this question were coded and categorized by RMC and the results are presented in Table 9. A total of 3,102 separate suggestions were identified from approximately 30 percent of the lenders who admitted their commitment of loan funds could be increased under certain conditions. The bulk of these suggestions for changes related in one way or another to the economic return to the lender. Increased interest rates were the most common, followed by reduced administrative costs, reduced cost of borrowed money, and shorter repayment periods. All but one of these factors are potentially under the control of the Office of Education or Congress. The fluctuating rate of interest in the money market (the cost of money to the lender) is determined by a combination of market conditions. The types and frequencies of these suggestions are consistent with the interview with lenders during site visits, although, of course, site visits did not necessarily include a representative sample of lenders.

Table 9 also presents the percentage distribution of the suggestions offered, weighted both by lenders equally and by borrowers in repayment. The relative rank of the categories is essentially the same under both weighting approaches except for two cases (both of which deal with low-frequency items). When the large GSLP lender suggestions are given weight proportional to the borrowers they represent, increasing the special allowance becomes much more desired (and increasing interest rates less desired). Similarly, establishing a GSLP central administrative agency that would process loan records, pursue collection, and trace missing borrowers for the lenders becomes far less desired when the large lenders carry more weight. Clearly, the larger lenders prefer incremental changes in the special allowance to regular interest rates. Moreover, they probably see no need for a central agency to handle GSLP administration because their size already benefits from economies of scale.

Table 9

LENDER SUGGESTIONS OF CONDITIONS THAT WOULD ENCOURAGE INCREASED GSLP LOAN FUNDS

Category of Change	Number of Suggestions Offered	Percent of Total Suggestions	
		When Lenders Weighted Equally	When Weighted by Borrowers in Repayment
Administrative costs	508	17	18
Interest rates	1,322	43	35
Cost of money	463	15	17
Shorter repayment periods	310	10	10
Increase special allowance in lieu of higher interest	37	1	6
More prompt attention to default claims	136	4	4
Establish central agency to handle administration	125	1	--
100 percent guarantee of interest and principal[a]	35	1	1
Miscellaneous	166	5	9
Total	3,102	100	100

a. Supposedly suggested by lenders in states where state guarantee agents do not already provide a 100 percent guarantee.

RMC asked lenders to explain the reasons that prompted their expected changes of 10 percent or more (increase or decrease) in GSLP loan investment. Table 10 summarizes the types and distribution of over 1,500 reasons that were provided (of course, many lenders indicated more than one). Even though only about 18 percent of the lenders had reason to answer this question, RMC is providing a full description of the results under the assumption that the Office of Education will find this background useful in its planning and operations with lenders. The answers provided by lenders to this open-ended question were coded and categorized by RMC for presentation in Table 10.

Of the reasons given for expected decreases in participation, the bulk relate to economic motivations; i.e., interest rates are not high enough, administrative costs are too high, and the cost of funds is too high. The fact that high default rate was frequently cited may be surprising since theoretically no losses occur in GSLP from this cause. However, some circumstances led to losses of interest income before default claims are paid, and in addition there may be a psychological public relations effect when the default rate becomes very high. The time period necessary for the maintenance of GSLP records was cited, but it constituted only a small percent of the total reasons given. During our lender site visits, this reason (and the associated complaint of excessive government paper work requirements) was often mentioned as a discouraging factor. The more complete picture represented by Table 10 apparently shows that time is of far less concern than the economic-related areas in leading to behavior changes by lenders. The tabulations of Table 10 show the frequency distribution of reasons when (1) lenders are weighted equally, and (2) when weighted by their GSLP level of activity. The shifts between these two approaches show that large lenders are much more concerned about high administrative costs, high default rates, and high cost of funds than the smaller lenders; correspondingly, they are far less interested in high interest rates and record maintenance requirements.

Three reasons were given for expected increases in GSLP participation, although the frequency of mention was not high. Some lenders expected

Table 10

LENDER JUSTIFICATION FOR EXPECTED CHANGES IN GSLP LOAN INVESTMENT[a]

Reasons for Expected Change	Number of Reasons Offered	Percent of Total Reasons	
		When Lenders Weighted Equally	When Weighted by Borrowers in Repayment
EXPECTED DECREASE:			
Interest rates	392	25	11
Administrative costs	176	11	20
High default rate	86	6	16
Cost of funds	77	5	20
Time period necessary for maintenance	63	4	2
Government methods of repayment	36	4	4
Availability of funds	34	4	3
EXPECTED INCREASE:			
If Sallie Mae used	151	10	4
Increased demand	93	6	5
Community relationships	93	6	1
MISCELLANEOUS:	291	19	14
Total	1,532	100	100

a. Expected changes of 10 percent or more.

increases if Sallie Mae (Federal Student Loan Fund) was used.[1] The other two reasons given for increases are increased demands for loans and community relationships--both of which are affected in very limited ways by OE policy decisions.

RMC attempted to obtain measures of lender behavior by asking about the lenders' views on how the GSLP should be operated to constitute a sound educational loan program. They were specifically asked how important they considered each of the listed factors in approving GSLP loans. Table 11 summarizes the lender views on these desirable borrower characteristics. Presumably the same preferences would be applied by the lender whenever it has a choice or a more subtle opportunity to influence outcomes. Several factors are rated very important. The two highest are that the applicant should not have many other debts and that the applicant should not receive a subsidized loan greater than the school-certified financial need. Although the lender may be concerned with what is best for the borrower (i.e., that he not be eventually overburdened with personal debts), this factor also reflects the "banker's" concern for an ability to repay even though the loan is guaranteed. Consistent with this is a relatively high belief that the applicant's financial situation should indicate a low probability of default. Given the objectives of the GSLP and the government guarantee against default, it is interesting that the lender should be so concerned about this point.

Another very highly related category was that the applicant or his family should be a customer of the lending institution. This apparently reflects the lenders' conception of GSLP as a vehicle to fulfill the needs of their customers. At the same time, of course, limiting loans to customers can be used as a method for limiting total GSLP investment when that is desired,

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1. Since the potential use of Sallie Mae may be of interest to OE planners, RMC examined the distribution of this reason in more detail. In terms of geographical location, about 40 percent were grouped in ZIP Code Area 4 (North Central), 20 percent in ZIP Code Area 0 (New England), and 10 percent in ZIP Code Area 1 (New York/Pennsylvania), ZIP Code Area 2 (Middle Atlantic), ZIP Code Area 8 (West Central), and ZIP Code Area 9 (West Coast). In terms of lender size, far more of the lenders having smaller numbers of GSLP borrowers gave Sallie Mae as reason for expected increase than did larger lenders. This effect is also shown in Table 10, where 10 percent of the lenders gave Sallie Mae as a reason, but this accounted for only 4 percent of total GSLP borrowers in repayment. Almost all the Sallie Mae citations were given by commercial banks rather than other lender types, but this is not unexpected since such lenders constitute a high percentage of the GSLP loans. It must be remembered in interpreting these Sallie Mae breakdowns that the total number of citations was relatively small.

such as when interest rate conditions mean lower lender profitability for GSLP loans. All these above elements are consistent with information provided by lenders to other questions in this survey and comments received during the the site visit interviews.

Several other factors listed in Table 11 are seen as primarily unimportant by the lender. One interesting factor is an apparent lack of concern for the applicant being other than a first-year student. In other words, loans are granted independently of the student's status within a school program. About one-sixth of the lenders interviewed during the site visits had such restrictions; they felt these restrictions kept their default rates down. This requirement is also an effective way of limiting demand for new GSLP loans when the lending institutions want to achieve that objective. Such a restriction also effectively prohibits loans to most vocational school students. Many lending institutions interviewed expressed the belief that lower risks of nonrepayment or financial difficulty for the borrower existed if the borrower had already completed at least one year of school. While it is true that a higher percentage of first-year students default, it remains a value judgment whether this should be an eligibility criterion.

Lenders similarily believe it is not important that the applicant be attending a degree-granting institution, as opposed to a vocational-training institute. During our site visits, many lenders expressed preferences for avoiding the vocational training segment in the belief (justified by facts) that the default rate for this group was considerably higher. Other lenders felt that, since Congress defines the vocational school students as fully eligible borrowers, this means the government is willing to fully underwrite the resulting default situation. Therefore, most lenders go along with the vocational school eligibility.

Almost all lenders do not believe that minority groups should be favored over others. While it would be illegal to discriminate by race in the awarding of these loans, there also appears to be no preference toward reverse discrimination.

Almost all lenders also felt that particular age groups should not be given priority. However, during its site visit interviews, RMC found some lenders that limited loans to borrowers under certain ages (usually 26) on the assumption that students above that age were more able to provide for their own expenses and less likely to succeed in their educational programs.

Table 11

LENDER VIEWS OF DESIRABLE GSLP BORROWER CHARACTERISTICS[a,b]
(percent)

Lender Views of Desirable GSLP Borrower Characteristics	Very Important	Somewhat Important	Not Important
Applicant should be attending a degree-granting institution (not a vocational or specialized training institution)	22	24	54
Applicant should not be a first-year student	30	16	54
Applicant or his family should be a customer of the lending institution	47	30	23
Applicant should not receive more for a subsidized loan than the amount of financial need certified by his school	80	15	5
Applicant should be attending particular schools in your local operating area	10	30	60
Applicant should show a strong academic record	27	55	18
Applicant's financial situation should indicate low probability of default	44	39	17
Applicant should not have too many other debts	69	27	4
Minority groups should be favored over others	1	10	89
Particular age groups should be excluded	4	14	82

a. Data are percentages of responding lenders answering the question. Lender nonresponse for this question was very small--not exceeding 1.3 percent on any part.

b. Lender responses have been weighted by number of borrowers in repayment.

Clearly, this is not a commonly held view based on the responses from this representative sample of lenders.

To better understand the influence of certain types of lenders on the factors summarized in Table 11, RMC cross-tabulated those responses by lender size and geographic location. The interesting relationships that emerged are discussed below.

As far as attending a degree-granting institution, more large lenders said this was important (i.e., large lenders tend to prefer degree programs and would therefore not accept vocational students). In terms of borrowers in repayment, there was a definite relationship that the larger the lender size, the greater the preference toward students in degree programs. When examined by ZIP Code location, a difference was found indicating that ZIP Code National Area 9 (California, Oregon, and Washington) felt, much more than any other ZIP area, that applicants should be attending degree-granting institutions. This could be the result of recent poor (i.e., high) default experience with many vocational school loans, particularly in California.

As far as being a first-year student, ZIP Area 9 stood out much above all others as feeling it is important to be other than a first-year student. All sizes of lenders felt about the same concerning first-year students.

Customer relationship requirements were also related to lender size. A significant number of large lenders (in terms of GSLP borrowers in repayment) felt it less important for the applicant to have a customer relationship than did smaller lenders. While fewer lenders in ZIP Areas 2, 7, and 8 thought it was important to have a customer relationship, ZIP Areas 3, 4, 5, and 9 had more lenders than average stating this was important.

The other interesting characteristic was related to the applicant's financial situation indicating low probability of default (even though GSLP guarantees against default). Larger lenders considered this factor important at a significantly lesser rate than smaller lenders. More lenders than average in ZIP Areas 8 and 9 think it is important to be in good financial condition and less than average in ZIP Areas 0 and 7 think it is important.

A summary of common relationships reveals that, relative to small lenders, large lenders lean toward borrowers in degree-granting institutions without requiring prior customer relationships and without considering financial conditions. ZIP Code Area 9 (West Coast) prefers to exclude first-year students, include degree program students, include students in good financial

condition, and include students with prior customer relationships (more so than other ZIP Code areas).

LENDER GSLP POLICIES AND PROCEDURES

One objective of the current study was to obtain more information about the policies that govern GSLP lender activities and procedures followed in administering GSLP loans. In addition to being useful to OE in its normal operations, knowing the different lenders' policies and procedures may be an important factor in explaining and understanding other lender behavior, such as default rates and loan investment levels. The following sections present and discuss information in the area of policies and procedures based on the lender replies to several related questions on the survey form.

One area of inquiry was the kind of appraisals (financial or otherwise) that a lender makes of a GLSP applicant when deciding to approve or reject the loan. Lenders were asked to check how often certain types of appraisals were made. Table 12 presents the results of their replies. Not surprisingly, almost all lenders (representing 96 percent of the borrowers) state that they always check eligibility against GSLP regulations. It may be more surprising that the other 4 percent do not, but there may be some special cases where an organization other than the lender does this eligibility checking.[1] Almost half of the lenders said that they always or frequently check personal or family credit experience. This is an interesting fact since one purpose of the GSLP is to provide credit where the young student or his family does not have an established record. In this regard, the GSLP loan is guaranteed by the government against nonrepayment. One explanation may be related to statements of some lenders during site visits that loans under GSLP would not be granted if the person or his immediate family had defaulted on previous loans or had particularly bad credit experience. Most lenders did not check students' past school records very often and this is consistent with the purpose of the program, which relates to financial need rather than academic ability.

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1. For example, site visits in Puerto Rico found that the Bankers Association of Puerto Rico did the original processing of loan applications on a consolidated basis.

Table 12

LENDER APPRAISALS MADE DURING PROCESSING
OF GSLP LOAN APPLICATIONS
(percent)

Appraisal Checks	Evaluation[a,b]			
	Always	Frequently	Sometimes	Rarely or Never
Check eligibility against GSLP regulations	96	2	1	1
Check personal or family credit experience	26	22	25	37
Check student's past school record	16	16	27	41
Determine whether applicant or his family is current customer	62	9	10	19
Assess the program or school the applicant is pursuing (academic versus vocational)	30	8	26	36
Compare to your previous history with similar applicants	12	17	21	50

a. Data are percentages of responding lenders answering the question. Lender nonresponse for this question was very small--not exceeding 7.5 percent on any part.

b. Lender responses have been weighted by number of borrowers in repayment.

Perhaps the most interesting of the factors is that 62 percent of the lenders always (and another 9 percent frequently) determined whether the applicant or his family was a current customer. This implies a requirement (or at least a strong preference) for this status for receiving an approved loan. However, nothing in the purpose or regulations of GSLP relates to this criterion. Still, it is understandable if the usual loan process and objectives of the lenders are considered. RMC cross-tabulated this variable by ZIP Code to help investigate how lender customer requirements are related to geographic location. These requirements do vary by geographic area, based on the lender responses. While the United States average was 62 percent, ZIP Code Areas 2 (Middle Atlantic), 4 (Great Lakes), and 9 (West Coast) had much higher percentages of borrowers represented by lenders who always appraise customer status of applicant (79 percent, 81 percent, and 80 percent, respectively). In contrast, ZIP Code Areas 6 (Central Plains), 7 (South Central), and 8 (West Central) always appraised customer status much less than average (44 percent, 43 percent, and 46 percent, respectively). Several lender site visits revealed another type of geographic effect. Within a specific lending market area (e.g., a city or SMSA), if one lender limited GSLP loans to customers, the other lenders tended to do the same. Their rationale was that otherwise a more liberal lender would end up with more than its share of GSLP loans, which by their claim was unprofitable for each loan.

A specific relationship is also evident based on lender size. If the borrowers in repayment always affected by customer status appraisals are cross-tabulated by lender size, it becomes clear that smaller lenders are the ones who regularly check customer status. All lender size categories smaller than 3,000 borrowers in repayment always appraise customer status significantly more than average (with those below 300 borrowers being the highest), and lenders above 3,000 always do so significantly less than average.

Two-thirds of the lenders never or only sometimes assessed the academic or vocational nature of the applicant's school. Certainly GSLP regulations allow loans for attending any eligible school, but our site visits showed some lenders do not welcome or allow loans for vocational programs. It would appear from the survey that only one-third of the lenders are seriously concerned about this issue. While experience clearly shows (and the lenders apparently recognize) that a higher default rate exists

among vocational school borrowers, the GSLP guarantee against nonrepayment equally covers vocational situations. Over 70 percent of the lenders do not normally compare the applicant against the previous history of similar applicants. This is consistent with the absence of such criteria as a basis for loan approval.[1]

Another area of great interest to OE and others concerned with the collection and default process is the particular activities carried out by the lenders when they find it difficult to locate a GSLP borrower whose loan has come due. GSLP regulations require lenders to carry out reasonable but unspecified attempts to find the borrowers during this "due diligence" period before a claim can be submitted to the government guarantee agency. The survey included a question about how many times certain activities were used in the process of trying to contact a borrower before filing a default claim.

Table 13 summarizes the experience of the lenders. Telephone calls and letters are the primary method of follow-up and a significant number are used for a given loan. This is very consistent with RMC's observations and answers obtained during the site visits. When it comes to using a private skip trace or credit bureau to locate the borrower, almost two-thirds of the lenders never make use of such service. An interesting variant here is the relative use of this tracing service by different types of lenders. The respective percentages of those normally using this service at least once per case are: commercial banks (42 percent), savings and loans (22 percent), credit unions (21 percent), mutual savings banks (3[illegible] percent), and vocational schools (15 percent). Since commercial banks are much more regularly involved in installment loan and collection activities, it is perhaps understandable why they make more use of credit bureaus and other tracing services. More of the larger lenders do not make use of such private tracing services, but this may mean they can use their own internal collection and tracing services.

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1. If lenders were consistent and rational in their behavior, it might be expected that, if they went to a lot of trouble to check personal or credit experience, they would also compare the previous history with similar applicants. Otherwise, how would they know if it was useful or valid to judge an applicant on that basis? To investigate their relationship, RMC prepared a cross-tabulation of these two factors. Of the 62 percent who always appraise credit experience, only 32 percent also always appraise the history of similar applicants (another 26 percent frequently do, 26 percent sometimes do, and 15 percent never do). Consistency is therefore not a strong factor in this aspect of lender behavior.

Table 13

LENDER PRE-CLAIM EXPERIENCE
(percent)

Pre-Claim Collection Methods	Once	Two or Three Times	More than Three Times	Not at All
Telephone calls	8	34	59	1
Letters, telegrams, or mailgrams	2	21	77	--
Private skip-trace service or credit bureau	25	9	3	63
U.S. Office of Education pre-claim assistance program (mailgram service)	64	6	2	28
Communication with borrower's relatives	28	49	22	1
Communication with borrower's school(s)	58	22	9	11

a. Data are percentages of responding lenders answering the question. Lender nonresponse for this question was very small--not exceeding 7.2 percent.

b. Lender responses have been weighted by number of borrowers in repayment.

The use of the next collection method was particularly interesting to the Office of Education when this study was originally designed. This method is the pre-claim assistance program offered by the Office of Education to lenders that send a mailgram (telegram by mail) to borrowers who do not otherwise respond. Replies indicate that lenders representing 28 percent of the repayment population have never used this service, but that the remainder normally use it once or more in trying to contact the borrower before filing a default claim. The differential experience by types of lenders is also of interest. The respective percentages of lenders regularly using mailgrams one or more times per case are: commercial banks (66 percent), savings and loans (73 percent), credit unions (64 percent), mutual savings banks (43 percent), and vocational schools (100 percent). It is very interesting that all vocational schools report they always use this service at least once. This may be because of particular efforts by OE in assisting such schools with their larger-than-average collection problems.

The last two pre-claim methods involved communication with borrowers' relatives or schools. It is seen that lenders almost always attempt to contact the borrower's relatives one or more times. In contrast, 11 percent of the lenders never contact the borrower's school when attempting to locate the borrower. During the site visit interviews, lenders very consistently described their difficulties and lack of results in obtaining information on student status or location from the schools.

A related procedure concerns the methods that lenders use in establishing repayment terms. Again, this is of interest for a better understanding of program operations, but it is also a possible explanation of borrower default. Lenders were specifically asked about how frequently they used the specified procedures in establishing repayment for borrowers in normal situations. The question also specifically stated that it did not refer to procedures used for locating and collecting from defaulters once repayment terms had been established. Lenders probably interpreted the question to refer to nondefaulters only since many defaulters never reach the point of establishing repayment terms. Table 14 summarizes the lender responses. It is seen that lenders use a mixed package of mail, telephone, and personal meetings to establish repayment terms. While only a small percent of lenders always utilized telephone or face-to-face meetings, almost all the rest did so frequently or sometimes. Probably because of the heavy work load involved, the larger lenders used face-to-face meetings at a much lower level than

Table 14

LENDER METHODS FOR ESTABLISHING INITIAL REPAYMENT TERMS WITH BORROWERS
(percent)

Methods	Evaluation[a,b]			
	Always	Frequently	Sometimes	Never
Face-to-face meeting with borrower	9	41	52	5
Telephone contact with borrower	8	43	46	3
Mail correspondence with borrower	57	29	13	1
Working through a state guarantee agency	2	3	34	61
Working through another third party	10	8	42	40

a. Lender nonresponse varies between 2 percent and 9 percent.

b. Lender responses have been weighted by number of borrowers in repayment.

smaller lenders. Mail correspondence with borrowers is always used 57 percent of the time and frequently or sometimes used for the rest of the borrowers. Limited use is made of third parties in establishing repayment terms. Information from site visit interviews and other sources indicates that lenders had little problem in establishing repayment terms once the contact had been established with the borrower; the real problem was in finding the borrowers.

A somewhat different area of lender procedures also investigated by the study was the way in which the lender was organized to administer the GSLP. One speculation raised during the questionnaire design task was that the way in which the lender was internally organized to carry out GSLP activities could well affect how it viewed the program and what success it had. Of course, until this survey, there was no systematic information available on how the lender organized itself to carry out its activities. Therefore, a question was included in the lender survey seeking this information. In addition, the interviews during the lender site visits also investigated this area. In overall terms, the following results were obtained when each lender was considered equally (i.e., no weighting by lender size):

- 4 percent of the lenders have a specific department that handles nothing but GSLP loans,
- 69 percent of the lenders have personnel within one of the departments who are assigned to GSLP loans, and
- 27 percent of the lenders have a variety of other types of organizations.[1]

This organizational distribution is in comparison to the overall type of lending unit indicated by the responding lenders (weighted equally) as follows:

- 42 percent--headquarters with decentralized units,
- 10 percent--branch of a larger lending organization,
- 36 percent--independent, unaffiliated organization, and
- 12 percent--other.

It might be expected that the size of the lender (in terms of number of borrowers) has a big effect on how it is organized. Although 4 percent of the lenders have separate departments for GSLP, this category accounts for 34 percent of the borrowers in repayment.

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1. Many of the "other" categories involve such things as two or more centralized GSLP departments within separate branches of the lender.

During our site visits, we also found a variety of organizational structures. Based on these few cases, the type of internal organization seemed to be related to the cycle of GSLP development for the lender. For example, when GSLP started, volume and default/collection problems were not large. Administration of GSLP loans was usually done as a part of a lender's other installment loan activities. Changes were often made when evolution of these GSLP borrowers brought a large number of them into the repayment and collection phases, and unique types of problems began to be evident. For some lenders, this maturing of loans also brought large default problems. Additional types of specialized needs were created, such as tracing lost borrowers, preparing claims, and following up on collection problems. When this growing or maturing GSLP loan structure caused these latter problems to become significant, lenders often established separate departments with GSLP responsibility. This evolution is not surprising--it is basically a reflection of two criteria: economies of scale and giving specialized attention to the more serious problems. RMC found a variety of organizational arrangements within the lenders interviewed, many of which seemed to reflect the particular circumstances of the individual organization. At the same time, most appeared to be operating effectively. Most likely, the factors that determine organizational efficiency and effectiveness are determined more by personnel and local circumstances rather than the particular type of organizational structure.

LENDER OPERATING COST

RMC attempted to investigate the area of lender GSLP costs. This area was of interest because lenders often cite the high costs of administering this program and the resulting low (or negative) profit. To what extent this is correct and justifiable is a meaningful area of analysis. Many claims or beliefs concerning GSLP lender operating costs exist. These were usually based on isolated complaints or random comments. One reason the subject was addressed in this survey was to at least provide a systematic examination of certain lender questions from a representative sample of GSLP lenders.

It was recognized during the design phase that the cost of the lender's operation was a very difficult area for which to obtain data.[1] Two reasons contribute to this: (1) lenders are reluctant to provide such data for competitive or confidential reasons, and (2) a large number of lenders do not maintain a record system that would provide these data. Interviews with lenders during the first phase of the contract and during the pretest of the questionnaire failed to resolve this difficulty. However, this area was pursued in the survey where questions could be formulated with a reasonable chance of expecting answers. In addition, lender site visits also investigated this cost area wherever possible. This section presents cost information obtained from lenders, even though the limited data from this survey do not allow any extensive analysis or consideration of this topic.

Given that the structure and detail of the cost accounting systems of the wide variety of types and sizes of lenders involved in this program precluded directly asking for any costs, RMC established several major cost categories covering GSLP administrative activities and asked the lender about the relative importance of these categories. Table 15 presents the results of the survey question asking lenders to compare their administrative costs of GSLP with their experience with alternative loans to which they might commit funds (such as consumer installment loans or other short-term uses). The basis identified was cost per loan and lenders were asked to what degree

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1. Similar difficulties were encountered in obtaining comparable lender GSLP costs during a recent study by Technology Management, Incorporated (TMI), for OPBE in which it sought data concerning student loans, special allowance rates, and servicing costs. The study involved interviews with 13 lenders and 3 servicing firms concerning operating costs. TMI encountered great difficulty in making cost comparisons among lenders because of the lack of or different bases for documenting the administration costs. Even though that study concentrated completely on obtaining cost data that could be made comparable, monthly operating costs during the in-school period could only be obtained from three lenders and the loan acquisition cost data obtained for only seven. TMI judged that student loans had been marginally profitable for commercial banks since 1970, and clearly unprofitable for institutions having higher than average servicing costs. Other than data in the published report (dated August 21, 1974), cost data obtained by that study are not available to RMC for comparison or integration with the current study.

Table 15

COMPARISON OF LENDERS ADMINISTRATION
COSTS OF GSLP LOANS WITH ALTERNATIVE LOANS [a]
(percent)

Cost Category for Lender Administration of GSLP	Cost Per GSLP Loan Compared to Alternative Loan				
	Very Much Lower	Somewhat Lower	About the Same	Somewhat Higher	Very Much Higher
Placing (acquiring the loan)	4	13	29	40	14
Establishing repayment terms	2	3	17	31	48
Normal processing of loans during repayment	0	2	52	28	18
Maintenance of special records (meeting reporting requirements, interest billing, etc.)	1	1	8	34	56
Searching for defaulters	1	6	25	25	43

a. Lender nonresponse was about 12 percent for this question. Lender response was weighted by size; i.e., number of GSLP borrowers in repayment.

each of the cost categories specified was higher or lower than the alternative loans. Although a small percentage of the GSLP lenders rated the first category (cost of acquiring the loan) in the two lower ranks, the overall thrust was somewhat higher. For the second cost category (establishing repayment terms), the thrust of responses was clearly toward much higher costs for GSLP. The normal processing of loans during repayment category had the bulk of responses "about the same," with a skewed distribution toward higher costs. Maintenance of special records was again clearly ranked much higher and searching for defaulters had lenders representing almost three-quarters of the program, giving their ratings in one or the other of the two higher ranks. Lender response on the question covering these data accounted for about 88 percent of the borrowers in repayment under GSLP. For some lenders, of course, this question was not applicable since they had no similar alternative investment; e.g., vocational schools operating as direct lenders, life insurance companies, and direct state lending programs. The lender results indicating higher than average GSLP costs are not surprising, however. They are consistent with other lender responses and with the results of other studies. However, these results do provide distribution of lender claims by cost category from a large and representative sample.

Table 16 summarizes lender estimates of the percentages of total administrative GSLP costs attributable to each of the several cost categories identified. It presents the mean value reported by lenders for each of the cost categories. The mean values reported by lenders are presented two ways: (1) weighted equally by lenders, and (2) weighted by borrowers in repayment. Weighted by borrowers in repayment tends to reflect total impact on the program as a whole and, as a result, larger banks are given greater weight. This tabulation was based on responses from about 57 percent of the lenders since: (1) many lenders were not able to (or did not) answer this question at all, and (2) partial answers not totaling 100 percent of administration costs could not be averaged in with other complete answers. The cost category with the largest percentage of cost is "maintenance of special records." Presumably this was interpreted by lenders to include the heavy federal paper work requirement usually described by lenders as "excessive red tape and paper work." The lowest category is "establishing claims on defaulters," which, of course, has no comparable category under regular lender loan programs since there is no guaranteeing agency for them. On the other side of the coin, there are no GSLP costs due to default of principal (except in

Table 16

LENDER GSLP ADMINISTRATION COSTS BY CATEGORY

Cost Category for Lender Administration of GSLP	Reported Mean[a] Percentage of Total GSLP Administration Costs	
	Weighted Equally by Lenders	Weighted by Borrowers in Repayment
Placing (acquiring the loan)	20.0	15.2
Establishing repayment terms	17.2	16.8
Normal processing of loans during repayment	18.7	18.2
Maintenance of special records (meeting reporting requirements, interest billing, etc.)	26.2	21.6
Searching for defaulters	10.6	18.1
Establishing claims on defaults	7.3	10.0
	100.0	100.0

a. Mean values for lenders reporting usable data, which averaged about 57 percent of lenders responding.

state agencies guaranteeing less than 100 percent of the loan value).

As stated previously, RMC also attempted to obtain cost information during its site visit interviews to approximately 40 lenders. Little success was obtained in that endeavor. The lenders regularly referred to poor record-keeping systems within their organizations that did not provide them with management cost data of this type. In a couple of cases, lenders had conducted a special cost study, but were not willing to pass on the data since it was considered proprietary. In some instances, gross estimates were available, such as it cost 1.5 percent of the outstanding value to administer the GSLP portfolio. These estimates ranged between 1 and 2 percent of the outstanding value, but the small number of such data points precluded pursuing this area further. All in all, there is little further analysis that RMC can do with the available cost data, although there is no question that this is a useful area for further research.

Since the most important variable that might be expected to explain operating costs is lender size, RMC investigated its effect. Table 17 presents the results of cross-tabulating lender relative cost estimates against five categories of lender size in the GSLP program. There appear to be no effects from lender size for two types of cost (establishing repayment terms and normal payment processing). Two types of cost (planning the loan and maintaining special records) show distinct trends for smaller lenders to spend greater shares of their GSLP costs in those areas. Conceivably, economies of scale have an effect here since the small lenders (in GSLP) must invest considerable staff time to understand and satisfy GSLP regulations/requirements, even though only a small number of loans are granted. The remaining two cost categories (searching for defaulters and establishing default claims) show a very strong trend toward larger lenders spending larger shares of their GSLP costs in these areas. It must be that economies of scale do not operate when it comes to the default and due diligence area. Furthermore, it may be that small lenders spend proportionately less on defaulters because they have lower default rates (which they apparently do) and therefore can keep better track of them. A better examination of lender costs by size could be done if absolute dollar costs were known, but such data are not available.

Table 17

DISTRIBUTION OF LENDER GSLP COSTS BY COST CATEGORY AND LENDER SIZE

Lender Cost Category	Reported Mean Percentage of Total GSLP Lender Administration Costs [a,b]					
	Lender Size[c] 0-50	Lender Size 50-100	Lender Size 100-300	Lender Size 300-500	Lender Size Over 500	Total
Placing (acquiring the loan)	23	17	18	16	12	15
Establishing repayment terms	17	18	16	20	16	17
Normal processing of loans during repayment	17	20	18	16	18	18
Maintenance of special records	31	29	24	22	18	22
Searching for defaulters	7	10	14	16	22	18
Establishing claims on defaults	6	7	9	10	11	10

a. Lender responses weighted by borrower in repayment.

b. Mean values for lenders reporting usable data for both variables, which represented about 33 percent of total GSLP borrowers.

c. GSLP borrowers in repayment.

DISTRIBUTION OF DEFAULT AMONG LENDERS

This survey originally intended to investigate how borrower default affects lenders and the ways in which lender default rates are affected by lender operations and other characteristics. RMC was only able to carry out limited analysis in this area because of the inability of many lenders to provide comparable data on defaults. Considerable nonresponse was obtained on the survey items about the amount of default (even among the lenders who completed other parts of the questionnaire).

The first question that must be faced is what type of default rate should be defined. Clearly, it needs a numerator that is some measure of the amount of default--either for a given year or cumulative for the program as a whole. In addition, a denominator is needed that provides some measure of total amount of loans--either total GSLP loans outstanding at a given point in time or the total amount of loans granted by that lender during its history in the program. For a more precise measure, the denominator should only include those loans that have matured to the point of being liable for repayment, since loans for students still in school or deferred have not yet had an opportunity to default. Unfortunately, for most of the above ingredients, data are hard to obtain at the level of individual lenders.[1]

In the questionnaire, RMC asked the lenders to specify the total dollars for GSLP loans on which claims were filed for repayment because of borrower

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1. Probably the main reason most lenders did not provide quantitative estimates of default is the inability or inconvenience to obtain such estimates from their regular record-keeping systems. Some lenders commented on the questionnaire that they did not maintain records on default that way. Moreover, during our lender site-visit interviews, similar answers were often received. Apparently many lenders do not keep separate records once the loan is repaid by the guaranteeing agency. To many lenders, it has the same effect whether it is repaid by the borrower or by a guarantee agency. In other cases, records are kept on default claims paid, but they are not able to aggregate these for any given time period. Although it is possible that some lenders may have been ashamed of high default rates on their loans, and thus obscured this fact by not calculating or providing default measures, there is no way RMC can prove their motivations. During some site visits, it was obvious that the record-keeping system in use did not focus on this measurement, but focussed management attention on potential problems such as delinquent loans and late payments.

default during 1973. The value was of little analytical benefit unless it could be converted into a ratio, which meant that the lender also had to provide an answer to a separate question concerning the total amount of GSLP loans outstanding and the total amount of loans not yet due for repayment. In a large number of cases, one or another of these three variables were not provided. As a result, comparable default rates could be calculated for only a small subset of responding lenders, and this was considered too small a group with which to do meaningful analysis. RMC was able to complete some analysis of the distribution of default among types of lenders and schools based upon the lender-provided data about the RMC sample of borrowers.

However, one screening question was included and answered by a very large percentage of the respondents. This question asked lenders if they had any defaults on GSLP loans during the calendar year 1973. A large percentage answered no to this question, thus indicating by definition a zero default rate for the period. RMC has tabulated and analyzed these data in order to provide insights into one aspect of the default process. These data allow the division of lenders into two groups, one with zero default rates and the other with greater than zero rates. Ninety-nine percent of the respondent lenders answered this question.

Almost half of the lenders claimed they filed no GSLP default claims during 1973. This result appeared somewhat surprising in light of default rates that were high (and growing) for the program as a whole. Although this question just refers to the calendar year 1973, by then most lenders had significant numbers of borrowers who had matured into the repayment phase and had ample opportunity to default. For this reason, further investigation was conducted into this area by RMC. Table 18 presents a distribution of lenders based upon the incidence of default during 1973 (weighting lenders equally). As the bottom total line shows, 49 percent of the lenders responding to the survey (only 2.7 percent of lenders did not answer this question) said they filed no default claim during 1973. Table 19 shows how these lenders were distributed by lender size. It is seen

Table 18

DISTRIBUTION OF LENDERS BY INCIDENCE OF DEFAULT DURING 1973 AND LENDER SIZE[a]

Lender Size Categories (borrowers in repayment)	Percent of Lenders Claiming Any GSLP Defaults During 1973		Percent of Total Lenders Represented
	Defaults	No Defaults	
0-50	28	72	46
50-100	56	44	25
100-300	77	23	20
300-500	94	6	4
500 and over	97	3	5
Total	51	49	100

a. All but 2.7 percent of lenders answered this question.

Table 19

DISTRIBUTION OF BORROWER DEFAULT CLAIMED BY LENDERS IN 1973 BY LENDER SIZE

Lender Size Categories	Percent of GSLP Borrowers Represented by Lenders Claiming Any Default in 1973		Percent of Total Borrowers in Repayment
	Default	No Default	
0- 199	44	56	15
100- 199	78	22	9
200- 299	77	23	6
300- 499	94	6	8
500- 999	94	6	9
1,000-1,999	98	2	10
2,000-2,999	100	0	4
3,000-3,999	100	0	2
4,000-4,999	100	0	4
5,000 and over	100	0	33
Total	87	13	100

that there is a very strong relationship toward small lenders having most of the no default situations. In fact, the extent of this relationship is very striking in its intensity and distribution, and is particularly significant since the GSLP program is characterized by a large number of fairly small lenders and a small number of very large lenders. This distribution is illustrated by the far righthand column in Table 18, where it is seen that almost half of the total lenders represented have less than 50 borrowers in repayment and 5 percent of the lenders have over 500 borrowers in repayment.[1]

An alternative way of analyzing the impact of this variable is by examining the distribution of borrowers represented by the lender in the sample; i.e., each lender is weighted by its number of borrowers in repayment. Table 19 presents a tabulation calculated in this way and distributed by lender size. As the lower total line indicates, 13 percent of the borrowers in repayment are represented by lenders having no default claims during 1973 (thus, in this case, 49 percent of the lenders having no default represent 13 percent of the borrowers in the program). Distribution by size of lender is also evident from this table. Again it is seen that the very small lenders constitute the bulk of the situations in which no default occurred. In fact, none of the large lenders (which account for over 40 percent of the borrowers in repayment) were able to say they had no defaults during the year. The thrust toward smaller lenders having a significant number of zero default situations is clear and this would in turn lead to lower default rates, averaged over all lenders of a given size.

Distribution of these zero default situations by geographical location was also investigated. Table 20 presents a comparison of borrower default incidence during 1973 by ZIP Code national areas. For this table, the response is weighted by borrowers in repayment (as seen by the lowest line, lenders representing a total of 13 percent of borrowers throughout the nation had zero defaults for 1973). ZIP Code Area 5 (North Central) stands out as

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1. 500 is not that large a size since at least a dozen lenders in the sample had over 10,000 and three lenders had over 40,000 borrowers in repayment.

Table 20

COMPARISON OF LENDERS CLAIMING
DEFAULTS DURING 1973 BY ZIP CODE NATIONAL AREAS[a,b]

ZIP Code National Areas	Percent of Lenders Claiming Any GSLP Default During 1973		Percent of GSLP Borrowers Represented
	Defaults	No Defaults	
0	88	12	11
1	91	9	8
2	85	15	5
3	86	14	6
4	82	18	7
5	74	26	12
6	85	15	13
7	88	12	10
8	89	11	7
9	98	2	18
Total	87	13	100

a. Lender response on this question was 99 percent.

b. Lender response has been weighted by number of borrowers in repayment.

having by far the highest (twice the national average) incidence of zero defaults in 1973. ZIP Code Area 4 (Great Lakes) is also significantly higher in terms of accounting for more than its share of borrowers without default. At the other extreme, ZIP Code Area 9 (West Coast) shows 98 percent of its GSLP activity having some default in 1973. ZIP Code Area 1 (New York/Pennsylvania) was next closest, with 91 percent of its borrowers accounted for by lenders with default in 1973.[1]

The variables of lender size and geographic location are interrelated and the size effect could be the stronger underlying relationship. The two areas having proportionally more zero default incidence (ZIP Code Areas 4 and 5) also have significantly more of their GSLP activity in smaller lenders. The area having almost no incidence of zero default (ZIP Code Area 1, New York/Pennsylvania) presents a special case since it does not have proportionately large amounts of large lenders, but it does have a very large share of GSLP activity, with at least some defaulters. Although the explanation may be related to the presence of active state guarantee agencies in New York and Pennsylvania, there is not enough information available for further analysis in ZIP Code Area 1. All in all, the incidence of default appears to be primarily explained by the effect of the level of lender GSLP activity; it is clearly not distributed equally among lenders.

RESULTS OF LENDER SURVEY OF BORROWER DATA

The purpose of this section is to present and discuss the results of the borrower survey. The unweighted data from the survey questions are provided in Appendix B. The first parts of this section discuss the response pattern for the borrower data; the latter parts analyze the loan defaults in the program. The information described in Chapter 2 on the results of the initial request to

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1. Expressed another way, ZIP Code Area 5 has 12 percent of the total GSLP borrowers in the program, but accounts for 24 percent of the borrowers for which lenders reported no GSLP claims during 1973. ZIP Code Area 9 accounts for 18 percent of the total GSLP borrowers, but only 3 percent of the borrowers covered by GSLP claims during 1973.

lenders on borrower loan status is also relevant to the questions of response and representativeness as well as to the survey data results that follow.

Response Pattern for Borrower Data

As a basis for interpreting the data analysis to be presented in the following sections, it is worthwhile to examine the response patterns for the data concerning borrowers. The level and distribution of survey response has a direct impact on how representative the resultant data are considered to be.

Table 21 summarizes several aspects of the gross response for the part of the lender's survey relating to the borrowers. The data are unweighted; i.e., they represent actual questionnaires sent out and received.

Table 21

RESPONSE PATTERN FOR BORROWER DATA
(unweighted)

Category	Number
Total original sample of borrowers	9,346
Eliminated because of initial status check (not yet in repayment or no record of loan)	1,574
Subtotal covered by lender survey	6,772
Responses received from lenders	4,842
Response rate -- as percent of original sample	58%
Response rate -- as percent of revised sample	72%

As Table 21 shows, a total of 4,842 borrowers were represented by replies to the lender questionnaire on sample borrowers--a response rate of 72 percent of those sent out, or 58 percent of the original sample. However, a significant number of these replies contained little or no data since the lenders claimed that the needed records were not available. The question of nonresponse bias and representativeness was examined in Chapter 2. Only slight basis for nonresponse bias was found, and adjustments for such bias were made, where appropriate.

Profile of Borrowers

Lenders returned questionnaires on approximately 60 percent of the borrowers in the original sample. In many cases, however, lenders did not supply substantive information. For example, many lenders make a practice of either destroying or "cold-storaging" records relating to loans that have been paid, usually retaining only the name and address of the borrower and the loan status. In particular, many defaulted loans are treated in this manner.

It was found that 12.6 percent of the borrowers were in default, 5 percent were in arrears and thus likely to default, 32 percent had paid their loans in full, and 41 percent were repaying. About 4 percent were still in school, and about 5 percent of the borrowers could not be accounted for by the lenders.

Lenders claim borrowers have an average of 1.4 loans outstanding, with an average balance of $1,482. A large percentage of the borrowers have one loan outstanding (56 percent) and another 16 percent have two notes.

We find that the average total debt is positively related to the number of loans, rising from $1,090 for those with one loan to about $3,800 for those with seven loans.

Student loans are seldom transferred between lenders. Only 2.7 percent of the loans were transferred; of those, most were serviced by the recipient institution.

Thirty-seven percent of the borrowers were customers before taking out their first loans, and 39 percent of the borrowers' families were customers too. Generally, the relationship was through a personal savings or checking account, although about 11 percent of the families had business accounts where the students applied for loans. Only about 20 percent of the borrowers currently maintained accounts with the lenders, indicating that the lenders do not build up any sort of loyalty through the GSL relationship.

We also found lenders tend to grant slightly more loans to previous customers, originating an average of 1.6 loans to previous customers and 1.4 to others.

Lenders tend to deal directly with the borrower, principally through letters or telegrams. They will next resort to telephone calls to the borrower or communications with the borrower's family. The next step is to contact the schools. If that fails, they notify the Office of Education or a state guarantee agency.

Lenders were able to contact the borrower and establish repayment terms in about 83 percent of the cases. The hypothetical "average" note was for four years at $37 per month.

Almost 25 percent of the borrowers made no repayment whatsoever; conversely, about 25 percent of the borrowers made lump-sum payments. The average borrower had made 16 payments; i.e., was about a third of the way along in the repayment schedule.

Very few loans are ever modified after entering repayment (4.6 percent) except for deferrals. This confirms the information in the borrower survey. Deferrals take place in about 7.4 percent of the cases. Lenders cited, in declining order of importance, the following reasons for deferrals: (1) further schooling, (2) military service, and (3) financial difficulties. When financial difficulties were cited, the lenders either were granting deferrals not allowed under the program or were more likely interpreting deferral to include forbearance, which can be granted with OE approval.

Lenders claimed that over one-third of the borrowers had been late in meeting their loan payments. They claimed an average of five late payments for this group. Coupled with the average of 16 payments per borrower, it appears that some borrowers may be late on an average of one payment in three.

Lenders claimed that 18 percent of their borrowers had defaulted on repayment and that they had attempted to contact 66 percent of those who had defaulted. This statistic is worthy of further study since, by law, lenders are expected to exercise due diligence regarding loan defaults. This term has been construed to indicate an effort by the lender to get the borrower to repay, seemingly contradicting our survey results. Possibly, lenders interpreted the question to mean contact with the borrower after a default claim has been filed (and due diligence exercised). Lenders indicated that they used the same modes of access to the borrower at this time as when they had originally tried to establish repayment terms.

Defaulter Analysis

A primary purpose of this study was to develop an accurate characterization of defaulters, an assessment of the strength of the default phenomenon in the GSL program, and models to aid decision-makers in predicting defaults and developing appropriate policies.

This section of the analysis is based on the survey instrument completed by lenders regarding individual borrowers. This instrument contains information characterizing the borrower population in terms of its client relationship to the lenders. It provides aggregate information on the distribution of loan status, the type of business relationship between the lender and borrower both before and after the loan was made, and financial information concerning repayment terms, lump-sum payments, number of late payments, etc. The survey contains about 660 responses on defaulters.

In the following discussion, all default rates represent historical estimates of the proportion of borrowers who eventually end in default compared with the total number of recent borrowers who have entered repayment. They do not measure the impact of recent policy and administrative changes in the program.

Survey Results--Borrower Survey Completed by Lenders

Table 22 displays the relationship between the two principal measures of default used in this survey. The first measure is a detailed breakdown of various loan statuses (Q.1). The second measure is response to the question "Has this borrower defaulted on repayment?" (Q.52).

Table 22

RELATIONSHIP OF DEFAULT MEASURE
(percent)

Has Borrower Defaulted? \ Borrower Status From Q.1	Paid in Full	In Repayment	Deferred	Arrears		Default			Repaid Other Party	Still in School	Deferred	Unknown	Total
				Claim Filed	No Claim Filed	Bankruptcy	Death - Disability	Default					
Yes	.2 3.8	.3 9.2	12.3 6.5	97.4 .2	66.3 17.6	79.0 1.7	36.1 1.0	96.4 55.2	28.6 .8	2.9 .1	0 0	18.9 .9	16.4
No	.98 31.0	.97 57.3	87.7 .2	2.6 .0	33.7 1.8	21.0 .1	63.9 .4	3.6 .4	71.4 .4	97.1 .8	100 .3	81.1 .7	83.6
Marginal	31.6	40.4	.2	1.5	4.4	.3	.3	9.4	.5	.7	.2	.8	

5,710 cases

Table 22 reveals certain inconsistencies in the classifications. However, they are generally small and do not materially affect the default rate estimates. The first kind of inconsistency is unresolvable. For example, 2 percent of those classified in default by the second measure are classified "in repayment" by the first measure. The second type of inconsistency has a reasonable explanation and tends to indicate which indicator is more reliable. This category includes 2 percent of the defaulters by the second measure classified as paid-in-full by the first. In our site visits, we found that lenders often marked repaid loans as "paid-in-full"--without regard to the source of the payment. A third category of inconsistency covers classifications not entirely based in fact. For example, by the first measure, certain claims were in arrears, but claims had not yet been filed. For these loans, a substantial proportion were counted as defaulters by the second measure.

Under the assumption that most of the borrowers in arrears will in fact default, the best estimate of the historical borrower default rate is 16.4 percent ±1 percent. Under the assumption that ambiguities are resolved to lower the default rate estimate, the best estimate becomes 13.5 percent ±1 percent. In any case, the historical borrower default rate is bounded below by 12.5 percent and above by 17.5 percent. This, of course, reflects estimates based on data gathered in early 1974.

No adjustment will be made to the two measures of default in the following descriptive analysis other than the previously mentioned nonresponse adjustment, and the reader is advised to remember possible errors in each measure.

Defaulters cannot be differentiated from nondefaulters in terms of the financial character of their aggregate program participation. Tables 23 and 24 show that the mean indebtedness of defaulters is lower than for nondefaulters and also that the mean number of loans is lower. However, in a practical sense, a useful decision-making criterion cannot be established because the population standard deviations are very high relative to the difference in means, thus indicating a significant overlap in the populations.

The analysis of borrower data showed the inverse relationship between educational level completed and default rate. That result is consistent with a lower mean number of loans. On the average, defaulters are in the higher education system for a shorter time, and consequently take out fewer loans and attain lower academic levels than nondefaulters. Tables 25 and 26 display correlative results, showing the mean

Table 23

AVERAGE DEBT BY LOAN STATUS

Borrower Status	Amount of Loans		
	Mean	Standard Deviation of Population	Weighted Cases
Paid in full	$ 1,023	$ 676	872
In repayment	1,820	1,174	1,820
Deferred after payment began	2,025	1,247	24
Arrears -- claim filed	1,260	609	58
Arrears -- no claim filed	1,465	995	162
Default -- bankruptcy	1,525	1,651	13
Default -- death	1,928	1,107	23
Default -- disability	1,422	917	421
Repaid other party	1,400	922	14
Still in school	1,842	1,153	45
Deferred	1,694	1,194	7
Cancelled	805	344	2
Unknown	1,928	1,294	30
Total	$ 1,550	$ 1,080	3,492
Has borrower defaulted?			
Yes	$ 1,482	$ 1,029	573
No	1,588	1,109	2,568
Total	$ 1,569	$ 1,096	3,141

Total cases = 3,503.
Missing cases = 362 or 10.3%.

Table 24

AVERAGE NUMBER OF LOANS BY LOAN STATUS

Borrower Status	Number of Loans		
	Mean	Standard Deviation of Population	Weighted Cases
Paid in full	1.3	0.8	838
In repayment	1.7	1.1	1,793
Deferred after payment began	2.0	1.3	21
Arrears -- claim filed	1.1	0.5	58
Arrears -- no claim filed	1.4	0.9	162
Default -- bankruptcy	1.1	0.3	11
Default -- death	1.8	1.1	23
Default -- disability	1.4	0.9	414
Repaid other party	1.1	0.5	14
Still in school	1.8	1.3	45
Deferred	1.8	1.7	6
Cancelled	1.0	0.0	2
Unknown	3.0	0.0	3
Total	1.6	1.0	3,390
Has borrower defaulted?			
Yes	1.5	0.9	557
No	1.6	1.0	2,476
Total	1.6	1.0	3,033

Total cases = 3,401.
Missing cases = 368 or 10.8%.

Table 25

AVERAGE MONTHLY PAYMENT BY LOAN STATUS

Borrower Status	Monthly Payment		
	Mean	Standard Deviation of Population	Weighted Cases
Paid in full	$ 50.81	$ 18.42	584
In repayment	37.77	15.74	1,747
Deferred after payment began	58.83	22.54	22
Arrears -- claim filed	32.15	6.15	39
Arrears -- no claim filed	35.09	12.92	111
Default -- bankruptcy	39.98	17.94	4
Default -- death	40.35	8.54	6
Default -- disability	32.43	8.40	198
Repaid other party	31.60	9.23	10
Still in school	40.49	16.51	18
Deferred	164.84	302.15	3
Cancelled	30.00	0.0	1
Unknown	$ 37.07	$ 18.75	21
Total			2,773
Has borrower defaulted?			
Yes	$ 33.95	$ 10.92	363
No	37.74	22.51	2,289
Total	$ 37.21	$ 21.31	2,661

Total cases = 3,503.
Missing cases = 843 or 24.1%.

Table 26

LENGTH OF PLANNED REPAYMENT PERIOD BY LOAN STATUS
(months)

Borrower Status	Repayment Period		
	Mean	Standard Deviation of Population	Weighted Cases
Paid in full	27.4	15.0	573
In repayment	57.7	28.6	1,716
Deferred after payment began	65.8	27.4	22
Arrears -- claim filed	47.4	29.4	37
Arrears -- no claim filed	50.0	29.3	108
Default -- bankruptcy	61.0	38.2	4
Default -- death	67.1	34.5	4
Default -- disability	44.4	26.3	192
Repaid other party	46.8	31.5	10
Still in school	72.9	40.0	17
Deferred	72.4	30.1	3
Cancelled	5.0	0.0	1
Unknown	68.2	20.6	21
Total	50.1	29.0	2,716
Has borrower defaulted?			
Yes	46.9	28.5	347
No	50.7	29.10	2,251
Total	50.2	29.0	2,606

Total cases = 3,503.
Missing cases = 897 or 25.6%.

repayment period and monthly payment amount for defaulters to be significantly less than for nondefaulters. These two tables excluded the approximately one-third of the defaulters for whom repayment terms could not be established.

The default rate is not related to the number of loans held by the borrower. In addition, the proportion of borrowers who make late payments is unrelated to their total number of loans. Tables 27 and 28 display the relevant results. The relationship between number of loans and mean indebtedness is shown in Table 29. It indicates that the lack of relationship between default rate and number of loans would carry over if indebtedness had been the discriminating variable.

Table 27

CONTINGENCY TABLE FOR NUMBER OF LOANS BY DEFAULT
(percent)

Number of Loans	Has Borrower Defaulted?		Total
	Yes	No	
0	17.3 11.2	82.7 10.9	10.9
1	18.6 63.7	81.4 56.6	57.8
2	13.2 13.3	86.8 17.7	17.0
3	11.3 5.3	88.7 8.4	7.9
4	18.5% 4.6%	81.5 4.1	4.2
5	18.4 1.6	81.6 1.4	1.4
6	4.9 .1	95.1 .5	.5
7	0 0	100.0 .1	.1
8	25.0	75.0	.1
Total	16.9	83.1	100.0

3,335 Cases

Table 28

CONTINGENCY TABLE FOR NUMBER OF LOANS BY WHETHER BORROWER HAS MADE LATE PAYMENTS
(percent)

Number of Loans	Late Payments?		Total
	Yes	No	
0	34.8 10.9	65.2 11.0	10.9
1	36.1 59.5	63.9 56.8	57.8
2	32.7 15.8	67.3 17.0	17.6
3	31.6 7.3	68.4 8.5	8.1
4	35.7 4.3	64.3 4.2	1.4
5	35.0 1.4	65.0 1.4	1.4
6	39.4 .5	60.6 .4	.5
7	80.0	20.0	.1
8	100.0 .1	0.0 0	.0*
Total	35.1	64.9	100.0

3,201 Cases

Table 29

AVERAGE DEBT BY NUMBER OF LOANS

Number of Loans	Indebtedness		
	Mean	Standard Deviation of Population	Weighted Cases
0	$ 642	$ 931	303
1	1,097	622	2,031
2	1,877	763	611
3	2,627	1,008	285
4	3,599	1,177	152
5 or more	4,011	1,300	67

The survey instrument contained several questions concerning the relationship of the lender to the borrowers and their families before the student loan was drawn. Table 30, which cross-tabulates borrower status by whether the borrower was a previous customer, shows that the previous account relationship does differentiate defaulters from nondefaulters. Excluding default by death or disability, the table indicates that 5.7 percent of the borrowers who were previous customers defaulted and that another 3.5 percent were significantly in arrears. For the other group, 12.7 percent defaulted and there were another 8 percent with claims in

Table 30

CONTINGENCY TABLE FOR FAMILY ACCOUNT RELATIONSHIP BY LOAN STATUS

Borrower Status Reported By Lender / Family a Customer?	Paid in Full	In Repayment	Deferred	Arrears		Default			Repaid Other Party	Still in School	Deferred	Cancelled	Unknown	Total
				Claim Filed	No Claim Filed	Bankruptcy	Death - Disability	Default						
Yes	579 38.1% 73.3%	780 51.8% 69.7%	5 0.3% 58.3%	7 0.5% 24.4%	41 2.7% 55.1%	1 0.1% 66.7%	10 0.6% 57.6%	56 3.7% 32.1%	8 0.5% 64.9%	18 1.2% 64.6%	3 0.2% 53.1%	1 0.0% 100.0%	1 0.0% 50.0%	1,518 100.0%
No	211 27.8% 26.7%	342 45.2% 30.7%	4 0.5% 41.7%	23 3.0% 75.6%	33 4.4% 44.9%	2 0.3% 33.3%	7 0.9% 42.4%	118 15.6% 67.9%	4 0.6% 35.1%	10 1.3% 35.4%	3 0.3% 46.9%	0 0.0% 0.0%	1 0.1% 50.0%	758 33.3%
Total	789 34.7%	1,129 49.6%	9 0.4%	30 1.3%	75 3.3%	7 0.3%	17 0.7%	174 7.6%	13 0.6%	27 1.2%	6 0.2%	1 0.0%	1 0.1%	2,276 100.0%

process. Table 31 provides that same type of tabulation using the second default measure (Q.52). From it, 10.2 percent of the previous customers defaulted compared with 19.8 percent of the complementary group.

In many cases, borrowers have no account relationship with any lender and are known to the lender only through other family accounts. Table 32 displays the cross-tabulation of "previous account relationship with family" by the first default measure. Table 33 provides similar information for the second measure.

Table 31

CONTINGEYCY TABLE FOR BORROWER ACCOUNT RELATIONSHIP BY LOAN STATUS

Borrower a Customer?	Has Borrower Defaulted?		Total
	Yes	No	
Yes	126 10.2% 32.4%	1,114 89.8% 51.0%	1,240 48.2%
No	263 19.8% 67.6%	1,068 80.2% 49.0%	1,331 51.8%
Total	389 15.1%	2,182 84.9%	2,571 100.0%

Table 32

CONTINGENCY TABLE FOR BORROWER ACCOUNT RELATIONSHIP BY LOAN STATUS

Borrower Status Reported by Lender / Borrower a Customer?	Paid in Full	In Repayment	Deferred	Arrears		Default			Repaid Other Party	Still in School	Deferred	Unknown	Total
				Claim Filed	No Claim Filed	Bankruptcy	Death - Disability	Default					
Yes	491 35.0% 53.6%	722 51.5% 51.6%	9 0.7% 51.3%	8 0.6% 17.1%	41 2.9% 54.8%	9 0.6% 76.8%	13 1.0% 61.0%	73 5.2% 28.7%	4 0.3% 27.0%	29 2.1% 66.8%	2 0.2% 45.9%	1 0.1% 50.0%	1,402 49.2%
No	425 29.4% 46.4%	676 46.8% 48.4%	9 0.6% 48.7%	38 2.6% 82.9%	77 5.4% 65.2%	3 0.2% 23.2%	9 0.6% 39.0%	180 12.5% 71.3%	10 0.7% 73.0%	14 1.0% 33.2%	3 0.2% 54.1%	1 0.1% 50.0%	1,445 50.8%
Total	916 32.2%	1,399 49.1%	18 0.6%	46 1.6%	119 4.2%	11 0.4%	22 0.8%	253 8.9%	14 0.5%	43 1.5%	5 0.2%	1 0.0%	2,847 100.0%

Table 33

CONTINGENCY TABLE FOR FAMILY ACCOUNT RELATIONSHIP BY LOAN STATUS

Family a Customer?	Has Borrower Defaulted?		Total
	Yes	No	
Yes	108 8.0% 40.7%	1,240 92.0% 69.9%	1,348 66.1%
No	158 22.8% 59.3%	535 77.2% 30.1%	692 33.9%
Total	266 13.0%	1,775 87.0%	2,041 100.0%

Borrowers are, a priori, almost three times as likely to default if there is no previous family relationship with the lender. By the second measure, only 8 percent of the loans made in the presence of previous family relationships end in default, while 22.8 percent of other loans do. Similar results apply to the first measure.

The next variable to be considered is whether or not the borrowers completed their intended academic programs.

Table 34, which cross-tabulates the second default measure by the completion-of-program variable, shows that 37 percent of those not completing their programs default, while only 11 percent completing their programs do. Looked at differently, about 55 percent of all defaults come from those who do not complete their programs.

A common complaint is that lenders are unable to locate borrowers and are thus unable to convert the borrowers to repayment. Therefore, they must file claims to recover their funds. Table 35 demonstrates that 33 percent of the defaulters never had repayment terms established. It should be noted that the 6.8 percent of the population in this table that does not default and does not establish repayment terms is not in error. It includes those people who pay off their loans in a lump-sum before repayment is

Table 34

CONTINGENCY TABLE FOR PROGRAM COMPLETION BY LOAN STATUS

Borrower Finish Program?	Has Borrower Defaulted?		Total
	Yes	No	
Yes	199 10 9% 44.8%	1,624 89.1% 79.6%	1,823 73.4%
No	245 37.0% 55.2%	417 63.0% 20.4%	661 26.6%
Total	444 17.9%	2,041 82.1%	2,484 100.0%

Table 35

CONTINGENCY TABLE FOR REPAYMENT TERMS ESTABLISHED BY LOAN STATUS

Repayment Terms Established?	Has Borrower Defaulted?		Total
	Yes	No	
Yes	432 13.5% 66.3%	2,761 86.5% 91.7%	3,193 87.2%
No	220 46.7% 33.7%	251 53.3% 8.3%	471 12.8%
Total	652 17.8%	3,011 82.2%	3,663 100.0%

required to begin. In terms of those with established repayment terms, the default rate is only 13.5 percent.

Many lenders believe that if a borrower can be converted to repayment and start paying, the probability of default is substantially lessened. Table 36 depicts the relationship between default rate and whether or not any payments were made by the borrower. It shows that the default rate for

those who make payments is 11 percent compared with the overall estimate of 17 percent. In that table, a surprising proportion (13 percent) of the population did not make any payment and did not default. This can be attributed either to errors or to the fact that other sources may have paid off the loans (such as the borrower's family). Table 37 shows that almost no defaulters make any lump-sum payments.

Table 36

CONTINGENCY TABLE FOR ANY OF LOAN REPAID BY LOAN STATUS

Any of Loan Repaid?	Has Borrower Defaulted?		Total
	Yes	No	
Yes	278 11.0% 44.5%	2,254 89.0% 84.0%	2,532 76.5%
No	347 44.7% 55.5%	430 55.3% 16.0%	777 23.5%
Total	625 18.9%	2,684 81.1%	3,309 100.0%

Table 37

CONTINGENCY TABLE FOR ANY LUMP-SUM PAYMENTS BY LOAN STATUS

Any Lump-Sum Payments?	Has Borrower Defaulted?		Total
	Yes	No	
Yes	31 4.5% 6.4%	662 95.5% 25.8%	693 22.7%
No	452 19.2% 93.6%	1,904 80.8% 74.2%	2,356 77.3%
Total	483 15.8%	2,566 84.2%	3,050 100.0%

Information from the AIES school file was related to the survey responses. These variables refer to the borrower's intended school and not the actual school attended (although there is a close connection). The program type and school control variables were aggregated to be consistent with previous studies.

Specialized and vocational schools have an estimated default rate of 28.5 percent, more than 100 percent higher than universities and colleges (12.6 percent). Junior colleges and institutes are intermediate, with an estimated default rate of 12.6 percent. In terms of school control, proprietary schools have a rate of 28.8 percent, much higher than public schools, with 10.7 percent, or private nonprofit schools, with 12.2 percent.

Vocational schools do not always act as direct lenders. Using the lender type variable, the default rate for vocational school direct lenders was estimated to be 46.9 percent. Other high default rates were estimated for savings and loan associations (26 percent) and for miscellaneous institutions (23 percent). Miscellaneous institutions is an aggregation of insurance companies, mutual savings banks, nonvocational academic institution lenders, direct state lenders, and miscellaneous lenders. National banks had rates of 12.1 percent. The best performance was by credit unions, with estimated rates of 7.1 percent (see Table 38).

Table 38

DEFAULT RATES FOR SELECTED OE VARIABLES
(percent)

Selected Variables	Default Rate
Lender Type	
National Banks	12.1
State Banks FDIC	14.4
Savings and Loans	26.0
Credit Unions	7.1
Miscellaneous	23.0
Academic Institution-vocational	46.9
Program Type	
Specialized and vocational	28.5
Junior Colleges and Institutes	17.5
Universities and Colleges	12.6
School Control	
Proprietary	28.8
Private-nonprofit	12.2
Public	10.7
Unknown	39.0

4

LENDER SITE VISITS

SITE VISIT PLAN

This task of the original proposal called for personal interviews with lender officials at approximately 40 lending institutions around the country. Selection of these lenders for visits was based on several criteria. Although the sample was intended to be constructed of representative institutions, the sample size was much too small to be statistically representative of the universe of lenders. Rather it was intended to include some representation from each of the varieties of significant lending types and situations encountered in the program.

RMC originally requested nominations of interesting lenders from the Division of Insured Loans of OE based on certain desired characteristics; i.e., very high default rates, very low default rates, large banks, small banks, lenders with strong commitment to the program, lenders recently discontinuing participation, etc. After obtaining suggestions in these areas from various regional offices, the Division of Insured Loans provided RMC with a list of suggestions. This list was narrowed to those in the original RMC sample of 784 lenders and merged with other data RMC had collected on sample lenders. This list then served as a basis for RMC's choice of lenders to be visited and interviewed. For efficient use of limited travel funds, the criterion of geographical concentration was also used. This occurred through the selection of additional interesting lenders once a given city had been chosen because particular lenders on the OE list were located in the same city. For example, once the Bank of America and United California Bank were both identified as very desirable for interviews, RMC then selected several other lenders in Los Angeles to round out several days of visits in the area. In that particular case, another very large lender,

two vocational schools acting as direct lenders, two savings and loan associations, and a small life insurance company were included. Similarly, when we visited three of the largest vocational school direct lenders in Chicago, we also visited two large commercial banks active in the program. In this way, RMC obtained a final sample of lenders that represented various types of problems and activities in the GSLP. In addition, use was made of interesting lender situations discovered as a result of the questionnaires returned to RMC from the lenders.

SITE VISIT PROCEDURES

Prior to our visit, appointments were made by telephone with the director of the Guaranteed Student Loan Program at each selected lender. With rare exception, we found the lender officials to be receptive to our visit and helpful in our search of information. The opportunity to explain our purposes and establish a face-to-face rapport proved to be important. For example, in many cases, the staff members of the lending organization were originally reluctant to provide full answers and were sometimes defensive in their answers. However, the same persons were almost always much more cooperative and helpful later in the interview. In many cases, the interviewees were unable to provide specific answers because the information was not known or available to them. This was particularly true in the areas of costs of operations and specific default data. Records of the lenders were often not kept in a way that allowed ready answers to our questions.

These site visits provided useful background information on each of the types of lenders mentioned earlier. While this sample group of lenders was constructed to represent a range of relevant criteria, it was not intended to be exactly representative of the lender universe. Even though comparison among and across the lenders was conducted, most of the analysis treated them as case studies. The anecdotal information obtained in this way helped in interpreting the results of the broader survey.

The agenda for the interviews at the various sites obviously varied from site to site, depending on particular features of the lender. In general, however, the following subjects were pursued to the extent relevant at a given site:

- reasons for defaults;
- effects of defaults on participation;
- detailed exploration of both positive (encouraging participation) and negative (discouraging participation) features of the GSLP;

- greater detail about the costs of handling GSLP loans;
- how the lender provided access to potential borrowers, especially for those who attended proprietary schools;
- how the lender was organized to handle GSLP loans;
- major changes in GSLP procedures that the lender wanted to see implemented;
- alternative student loan programs and institutions that the lender preferred to the current scheme;
- factors that encouraged increased participation (in terms of funds committed) in the GSLP; and
- exploration of other organizational ties (e.g., parent cooperation, branch, or educational institution) and how these links affected lender policies relative to GSLP.

The actual visits to lenders were carried out during the fall and winter of 1974. Lenders were visited at the rate of about two per day and interviews lasted from one to two hours each, depending on the interest of the interviewees, the complexity of the operation, and its problems. Often two or more individuals from various operational levels were interviewed for a particular lender. This procedure surfaced comments and problems from all points of view and proved very helpful toward RMC's understanding of the actual operational aspects of GSLP.

At the completion of the site visit phase of the project, 37 lenders in 38 locations had been interviewed. The distribution by lender type and mean number of borrowers for each type is shown in Table 39. Three of the 13 lender categories were not represented. However, the proportion of borrowers receiving loans from these three types of lenders make up only 1 percent of all borrowers in the GSLP. It was felt by RMC that the omission of these kinds of lenders from the site visit phase of our study would not significantly affect the results. In addition, one visit was made to a special type--the center that serviced GSLP loans for other lenders.

DATA ANALYSIS

Since the format of the site visit interviews was generally free-flowing and nonstructured, the analysis undertaken was primarily subjective. Even though the group of lenders interviewed was not (nor was intended to be) representative, RMC examined the data across lenders in a comparative fashion with the goal of maximizing insights and information transfer. The information is provided here for the same purpose.

Table 39

GSLP SITE VISIT SAMPLE DESCRIPTION

Lender Type	Number Visited	Mean No. of GSLP Borrowers[a]
1. National Bank	10	10,224
2. State Bank--FDIC	10	6,921
3. State Bank--Non-FDIC	0	-
4. Federal Savings and Loan	2	3,337
5. State Savings and Loan	2	1,289
6. Federal Credit Union	1	111
7. State Credit Union	0	-
8. Mutual Savings Bank	2	1,722
9. Insurance Company	1	265
10. Academic Institution--Higher Education	0	-
11. Direct State Loan	1	44,009
12. Other	2	11,413
13. Academic Institution--Vocational Education	5	14,110
14. GSLP Servicing Center	1	110,000
Total	37	

a. Borrowers include only those loans that have reached repayment status.

A comprehensive site visit report was prepared on each lender for internal RMC use, and from these reports two analyses were developed. The first of these concerned the identification of characteristics of each lender that appeared (in the eyes of the lender and the RMC analyst) to have had a positive effect on GSLP activities. In addition, a list of potential or existing problems was also developed. Appendix E presents a summary sheet for each lender listing those positive factors, problem areas, and major characteristics. Lenders are identified only by descriptors and not by name. This was done to preserve the confidentiality of the interviews. From these lists of attributes and problem areas, two matrices were produced. Each matrix lists lenders in order of decreasing default rate (defaulting borrower/borrowers reaching payment status) as the horizontal dimension, with attributes and problems as the vertical dimension.

Table 40 shows the potential or existing problem matrix. Each x in the matrix designates the mention of a particular problem by a lender. The columns on the righthand side of the table show subtotals of mentions for the group of lenders on the lefthand side of the table (those having the highest default rates), those on the righthand side of the table (those having the lowest default rates), and the total number of mentions for all lenders.

A look at this table will show no striking differences in the two groups of lenders. The total number of mentions for the high default groups was 94 compared with 72 for the low default rate groups. This relationship points in the right direction, but could not be labeled significant in RMC's opinion. A proper phrase describing the results of this analysis might be: no significant relationship could be shown between the mention of all existing and potential problem areas and the default rate (defaulting borrowers/borrowers reaching repayment status) of various lenders.

Taking a closer look at the subtotal columns, three problem types seem to show a trend toward differences in frequency of mention between high and low default lenders. These are:

Table 40

POTENTIAL OR EXISTING PROBLEM MATRIX

Problem or Potential Problem Areas	Lenders Ranked by Decreasing Default Rate																																			Total Mentions for high Defaulters	Total Mentions for Low Defaulters	Total Mentions By All Lenders
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37			
Large Portfolio		x	x		x	x	x	x	x	x						x				x	x	x	x				x		x	x		x	x	x	x	x		10	12	22
High % Vocational Loans	x	x		x			x	x	x	x	x		x									x		x				x	x	x					x	x		9	7	16
Slow Default Claim Payments		x			x		x	x			x		x	x	x	x	x						x					x	x		x						10	4	14
Lax Lending Policy	x	x	x	x				x					x		x									x				x	x	x				x	x	x		7	7	14
Excessive Paper Work		x	x			x				x	x	x	x			x		x			x	x					x								x	x		9	5	14
Student Status Tracking					x	x						x	x		x		x		x			x			x	x			x				x					7	5	12
No Student Contact	x							x	x	x		x			x													x		x				x	x			6	4	10
No Credit Checks	x							x		x								x													x	x		x			x	4	4	8
No Customer Relationship Required						x	x					x	x		x		x												x									6	1	7
Slow OE Approval on Loans				x						x			x																			x			x			3	2	5
Unorganized Portfolio						x																						x	x									2	2	4
High Cost of Money						x						x										x			x								x					2	3	5
No Interest in Due Diligence Period						x											x					x																2	1	3
Decentralized Operations						x								x			x																					3	0	3
Manual Record-Keeping						x																		x											x			1	2	3
Poor Student Attitude															x				x							x												2	1	3
Additional Approval Loop															x						x						x											1	2	3
Poor School	x																				x																	1	1	2
High Pressure Salesmanship		x																										x										1	1	2
Lack of Due Diligence	x																							x														1	1	2
School Dropouts				x																								x										1	1	2
Slow Decisions By OE						x	x																															2	0	2
Retroactive Decisions By OE							x	x																														2	0	2
Low General Effort BY OE														x																					x			1	1	2
Check Sent Direct to Student															x												x											1	1	2
Students Attend School out of Country																				x														x				0	2	2
Schools Take Advantage of Program																						x			x													0	2	2
																																						94	72	166

- slow default claims payments,
- decentralized operations, and
- no customer relationship requirement.

These differences--10 and 4, 3 and 0, and 6 and 1--are not statistically significant, but do offer enough separation to be interpreted as possible trends with this small sample size.

The statements that can be made from this analysis are admittedly weak. However, it does appear that lenders with high default rates tend to mention the fact that claims payments are not made quickly enough more often than lenders with low default rates. Lenders with high default rates have a slightly higher tendency to be operationally decentralized than lenders with low default rates; and lenders with low default rates tend to require the borrower to have a customer relationship with them more frequently than lenders with high default rates.

Table 41 shows the matrix identifying the good points for each lender visited. As before, each x in the matrix designates a good point or attribute mentioned by the lenders or observed by RMC staff.

Inspection of this table shows no striking differences between lenders with low and high default rates. In fact, the high default group mentioned more total attributes (57 vs. 50) than the low default group, but this is not a statistically significant difference.

Perhaps the most useful result of this analysis is to emphasize the importance of the relative total frequency of the mention column on the right-hand side of Tables 40 and 41. The size of the numbers can be crudely related to the priority with which the specific problems should be corrected. The items near the top of the matrix are those that appear to be occurring most frequently. On the other hand, the matrix of good points does identify those attributes that appear to be having a positive effect on the largest number of lenders.

While this analysis is useful to identify those areas that may be causing the lenders problems and, therefore, will require the concentrated efforts of GSLP officials to solve, Table 42 presents the recommendations

Table 41

GOOD POINTS DISTRIBUTED BY LENDER

Good Points	Lenders Ranked by Decreasing Default Rate																																			Total Mentions for High Defaulters	Total Mentions for Low Defaulters	Total Mentions By All Lenders
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37			
Customer Relationship Required					x						x			x		x		x	x				x		x	x	x				x						x	6	6	12
Computerized System								x			x			x	x		x		x				x		x	x						x	x					6	5	11
Experience in GSLP					x	x				x	x					x							x			x				x	x							5	4	9
No Vocational Students						x								x	x	x	x								x	x						x	x					5	4	9
Loan Sent Through School		x	x							x	x														x			x				x		x				4	5	9
Centralized Admin.													x					x	x			x			x	x			x									3	5	8
Credit Checks				x			x		x				x																	x						x		4	2	6
No Freshmen						x								x			x				x				x	x												3	3	6
Good Data		x														x	x									x						x						3	2	5
Borrower Contact		x											x					x													x			x				3	2	5
Flexibility in Repayment Policy						x								x				x			x					x												3	2	5
Helpful Other Agency					x						x						x						x															3	1	4
Devoted Staff														x											x					x	x							1	3	4
Small Portfolio				x								x													x												x	2	2	4
Student Status Report										x																						x						1	1	2
Strong on Public Service			x																																			1	0	1
No Cross Borrowing							x																															1	0	1
Require Co-maker																															x							0	1	1
Statement of Attendance																																	x					0	1	1
Absorb Defaults																																				x		0	1	1
																																						57	50	107

Table 42

RECOMMENDATIONS BY LENDERS

RECOMMENDATIONS	National Bank	State Bank FDIC	State Bank Non-FDIC	Federal Savings and Loan	State Savings and Loan	Federal Credit Union	State Credit Union	Mutual Savings Bank	Insurance Company	Academic Institution --Higher	Direct State Load	Other	Academic Institution --Vocational Education	Loan Processing Institution	TOTAL
TOTAL LENDERS IN SAMPLE	10	10	0	2	2	1	0	2	1	0	1	2	5	1	37
PRE-INITIATION PERIOD															
Improve PR program--explain terms fully	5	1		1	1								2	1	11
Avoid first-year student loans	3														3
Give loans only to students under 26	1	1													2
Avoid loans for 4 years of college	1														1
Give loans only to full-time students	1														1
Give only one loan per year per student	1														1
Avoid vocational student loans					1										1
INITIATION PERIOD															
Require co-makers for all loans	1	2						1							4
Reduce processing for additional loans	1	1													2
Relax restrictions for customer status	1														1
Make system match academic year														1	1
APPROVAL PERIOD															
Reduce number of documents required	3	2		1		1		1					1	1	10
Reduce application approval time				1							1		3	1	6
Increase minimum family income requirement														1	1
Eliminate minimum family income requirement	1														1
Standardize requirements for students not personally interviewed														1	1
Reduce number of applications lost by OE									1						1
Get access to student's academic records	1														1
Obtain method of evaluating student's potential	1														1
Establish standard criteria of need and use it								1							1
DEFERRAL PERIOD															
Require schools to inform lenders of student status changes	3	4		1	1							1		1	11
Allow flexibility for additional deferral time		2			1								1	1	5
Conduct pre-graduation interviews with students	1				1										2
Speed up interest payments to lenders	1													1	2
Tie special allowance to economic indicator	2														2
Less paper work for multiple disbursements		1													1
Contact students annually during deferral					1										1
GRACE PERIOD															
Reduce length of grace period		1											1		2
Contact students 5 months after graduation		1													1
REPAYMENT PERIOD															
Simplify loan conversion to pay-out status	1											1			2
Eliminate 5-year repayment requirement														1	1
Change past-due phone procedures		1													1
DEFAULT PERIOD															
Use other agency records (IRS, SS, Post Office, etc.) to locate defaulters				1								1	1		3
Make government pay interest from day of default	1	1													2
Use private collection agencies to find defaulters		1										1			2
Change bankruptcy time to 5 years after graduation												1		1	2
CLAIMS PERIOD															
Shorten period--make prompt payment to lenders	2	1		1	1				1		1	1			8
Require OE pay principal and interest--interest payment retroactive					2							1		1	4
GENERAL COMMENTS															
Clarify OE definitions in writing--guidelines--no retroactive decisions		1		1	1				1		1		2	1	8
Increase lender compensation		3										1			4
Each bank and S&L service own customer	2	1													3
Eliminate schools as lenders	1													1	2
Strengthen requirements for eligible schools		1												1	2
Separate academic and vocational school programs														1	1
Form tuition lenders association--protect from unethical practices														1	1
Establish specialized loan service centers	1														1
OE pay cost of translating documents into foreign language		1													1
Eliminate movable maturity dates												1			1
Combine OE's grant program with GSLP													1		1
Shorten insurance billing time											1				1
Have financial institution handle claims for voc schools													1		1
Set special allowance every month--not quarter		1													1
Exempt GSLP from truth-in-lending, etc.	1														1
Tie GSLP rate to prime lending rate														1	1
Improve (credibility) relations between OE and lenders					1										1
Lenders should not determine a student's • eligibility for subsidized education • lender not qualified and • lender has vested interest--he profits from it								1							1
TOTALS	37	28	0	7	11	1	0	4	3	0	4	9	13	18	135

of the lenders themselves. The table aggregates the recommendations made by all 37 lenders, plus the one loan-servicing center visited by RMC. The recommendations are organized vertically by the order in which they would fall in the life of a loan, starting with the pre-initiation period and ending with the claims period. Within each major chronological category, types of recommendations are ordered by decreasing frequency of mention. The horizontal dimension of the table identifies recommendations by type of lender using OE's 13 categories.

The table is very useful in identifying those areas in which the lenders felt change was required. It enables the reader to pick those recommendations that are mentioned with high frequency and also identifies, through frequency of mention, which chronological categories may require the most reform.

The reader can also compare difference in frequency of mention by lender type if frequencies are first divided by the total number of lenders (first row of table). While this analysis cannot be conclusive for separate lender types (since sample sizes are so small in any one category), the breakout is presented to help understand possible causes and to identify trends for further study.

SUMMARY OF LENDER COMMENTS

Neither individual nor comparative tabular summaries provide the reader with the flavor of the actual complaints, comments, or recommendations voiced by lenders during the site visit interviews. Admittedly, there is a wealth of tabular descriptive information from these interviews that should be communicated to OE staff responsible for planning, operating, and evaluating the student loan program. This statement is true even though the comments may represent only one person's opinion and the group of lenders is not necessarily representative of the universe of all GSLP lenders. Therefore, RMC has prepared this section, which presents a narrative summary of lender comments and suggestions, as a way of capturing and communicating that information. Little or no attempt is made here to evaluate or judge the comments; the actual words of the lender spokesmen are used

wherever possible. For the reader's benefit, similar comments are grouped together and organized around problems that

I are inherent in the present structure of the GSLP,

II result from OE's regulation and administration of the program,

III are related to school policies regarding the students who use the GSLP, and

IV are caused by lending institution practices.

Each of these areas will be considered in turn below.

I. A number of lenders directed their comments to the GSLP itself as it is currently designed.

A. Lenders cited the low interest rate as a major factor that caused them concern whenever they considered continued participation in the program or a decrease or increase in participation. The present tight money situation was given as an important element in this request for an increase in the interest rate or special allowance. Many felt that the GSLP interest rate should be directly tied to the prime lending rate. They also would like to receive that interest from the day of default when a borrower fails to make repayment.

B. Another major criticism of the program as seen by these lenders concerned the difficulty in converting interim loans (in-school period) into pay-off loans, which at present involves two separate operations. They see this process as time-consuming and one that entails unnecessary paper work that adds to their administrative costs. They feel the total process should be combined into one loan.

C. Several lenders suggested that an add-on or revolving loan be made available so it would not be necessary to fill out a full set of applications and other papers for each additional loan after the original loan has been approved. One lender said this would reduce their paper work "tremendously." This revolving type of arrangement is commonly used by banks for other types of loans and several lenders suggested the feasibility of using it with the GSLP. One lender suggested adding an amendment to the original loan to serve the same purpose.

D. A number of lenders representing various types of institutions suggested that any means by which the government could impress upon students the importance of repaying their loans would be an improvement over the present situation. They felt that students are convinced the federal government will not press them for payment or take punitive actions for default. One lender suggested that some good government public relations might counter this idea.

Another lender stated that students who defaulted were aware of their obligation to repay, but on several occasions this lender had been told by student defaulters that they had no intention of repaying the loan.

E. Some lenders suggested that special provisions might be added to the legislation allowing deferral during the internship period of a doctor or dentist. A number of instances were mentioned by lenders when a doctor's low paying internship and residency period made repayment very difficult. Although the number of students that fall into this problem category is admittedly small, nevertheless, the problem is real and could be easily corrected by a special provision, thus preventing some default in a category that would not normally be expected to default (as well as again reducing the amount of paper work required while attempting to obtain repayment from this group).

   The same sort of recommendation applies to those students who return to school for graduate work in any field after repayment has begun on a loan. Graduate students in most areas are also usually not earning sufficient salaries to support a loan payment comfortably, especially if they have families or other financial obligations as well. (Apparently these lenders were not able to use existing deferral regulations for these cases.)

   The general request by most lenders who commented on this problem was for more flexibility in the program that would allow them to adjust terms to meet the needs of the students when repayment problems occur.

F. The problem of tracking students who default is seen by many lenders as one of the most costly aspects of the GSL program. One method by which this problem might be alleviated through the design of the program itself would be to include provisions in the program that would allow the lenders to have access to other federal government agency records to locate defaulters. Agencies such as the Immigration Service and the IRS were mentioned in addition to using the Post Office records as well as records from the NDEA and the Social Security Administration.

G. Another suggestion made by a direct school (vocational) lender involved a basic change in the GSL program. In view of the relatively high default rate experienced by this type of lender, the change seemed warranted. The spokesman suggested that, since the government also offered a grant program through the Office of Education, this program might be combined with GSLP in such a way that students who needed money for higher education and could not repay their loans due to some valid reason (i.e., lack of sufficient employment, personal emergencies, and the like) be awarded grants. Instead of becoming defaulters, obtaining a bad credit rating, and involving lenders in considerable time and expense in an effort to force them to make repayment when they actually could not do so, these students' loans would be changed to outright grants. The cost to the government would be the same since the government guarantees the defaulted loan.

H. Another suggestion by a direct school lender concerned the handling of claims and collections. This type of lender is not a professional lending institution and probably does not have the best knowledge and means by which to operate a lending program. The spokesman suggested that actual lending institutions or collection agencies should handle the claims and collection procedures and might realistically expect better results as a consequence than when an educational institution tries to perform a lender's function.

I. A suggestion regarding the length of the grace period was repeatedly made by many lenders visited. Most seemed to feel a period of not more than six months should be allowed, while one suggested a three-month period in lieu of the present nine-to-twelve-month period.

J. Different suggestions were made regarding the GSLP regulations concerning the types of institutions considered eligible for GSLP loans. One large commercial bank suggested there should be two separate programs: one for academic schools and one for proprietary schools. Other lenders stated simply that the requirement for eligible education institutions should be strengthened. To RMC interviewers, the consensus seemed to be that many lenders felt a number of institutions were using the program for their own advantages, rather than utilizing the program for its original intent; i.e., assisting students to obtain higher education or professional training. One lender suggested that a federal tuition lenders' association should be developed to protect lenders and students against unethical school practices.

K. One mutual savings bank expressed a strong concern about the program's basic policy that makes lenders the judge of a student's financial need and qualifications for a GSLP educational loan. The spokesman stressed the point that lending institutions benefit from the loan transaction through earning interest. Therefore, he felt the lender should not be the one who determines who to subsidize for higher education. He suggested that schools have the available information regarding an applicant's educational history and potential and would be better judges of the relative likelihood of the student's success in an educational program than any financial institution. Of course, this suggestion would not pertain to those educational institutions that also act as lenders under the present arrangement.

L. A number of lenders cited the use of a co-signer on a student's loan as a practice that had produced a significant reduction in default rates in their portfolios. Other lenders indicated they would require a co-signer if such a provision was allowed by the regulations.

II. A second area of concern to many of the lenders visited dealt with those matters that were directly related to OE's regulations and administration of the existing programs.

A. A common request among these lenders was for clearer definitions of terms and guidelines for procedures to be followed. The most often repeated complaint was the ambiguity of the term "due diligence" as applied to the efforts a lender must make to obtain repayment on a mature loan. An example cited by one large commercial bank illustrates this point. The lender noted that OE had been returning to the lender and asking (requiring) the lender to repurchase loans for which the lender had collected default claims, but on which OE eventually found the student and established repayment. The question was raised regarding at which point a lender had complied with OE's requirements. Why should the lender buy back a loan and entail further costs of administration after it and OE have already agreed once that the bank had exercised due diligence in trying to find the student? Exactly the same position was stated by another commercial bank lender when its state agency had begun to return loans to it under identical circumstances. This lender took the position that it was not obligated to take back these loans since the initial requirement for default had been established.

The above decisions were considered by the lenders as being retroactive in nature, as well as being inconsistent with other actions taken by OE. The lenders stressed the point that OE should not make retroactive decisions that modify existing contractual loan arrangements. Such a retroactive effect sometimes creates loss positions in existing loans that a lender could have otherwise avoided. Conducting operations on a business-like basis that honored contracts was implicit in these recommendations. One lender spokesman said (and several others implied) that the difficulties they experienced with OE's management of the program were among their primary reasons for withdrawing or drastically reducing their participation in GSLP.

Many of the lenders RMC visited cited similar problems. Suggestions were made repeatedly that OE supply some clear, consistent written guidelines that would clarify ambiguities within OE's instructions to lenders. One lender suggested these guidelines should be published by OE quarterly and should contain nontechnical terminology that would include special regulations and a section that documented specific types of problems.

B. Another area of complaints centered around OE's slowness, the long time involved in obtaining approvals of loans by OE, and repayment of claims. The first area is one of inconvenience and frustration to the applicant. Reports of waiting four to six weeks for approval were commonplace. However, the second area often results in loss of money to the lender. Lenders requested that the government pay interest from the day of default for all loans to reduce this cost to the lender. Long delays in receiving payment from OE after default claims were filed was also commonly cited by lenders. These delays ranged from one to six months. Several lenders brought out examples of these dated claims and showed them to the RMC interviewers to substantiate their statements.

Another OE delay was described as a 45-day waiting period for a lender to receive payment for the quarterly invoice covering the special allowance, a factor that was cited as adding significantly to the operating costs of lenders. Yet another example of OE slowness was in the pre-claim assistance area, where it took a minimum of 45 days (and more often close to 90) for OE to provide assistance.

C. Lenders who expressed a desire for a decrease in paper work cited the earlier-mentioned OE delays as increasing their paper work loads. Likewise, the lengthy and numerous forms required by OE for each step of a loan's processing were mentioned as a part of the excessive paper work. When terms are ambiguous and need written clarification, the paper work load for the lender is also increased. This one comment was consistent among all types of lenders visited. Lenders find excessive paper work increases the costs of the GSLP for them and, since the program operates on a basis that provides them less return on their money than similar loan programs, they strongly object to any excessive paper work connected with such a program. Another area that was cited as causing large amounts of paper work was the way in which multiple disbursements have to be made. One lender suggested a special fund might be set up through the schools to handle these disbursements.

D. Many lenders requested a change in OE's special allowance which was cited as inadequate in the face of the present tight money situation. An increase in the special allowance or the interest rate would help the cost situation considerably in the view of most lenders interviewed.

III. Many lenders saw a basic problem in what they felt was a lack of cooperation from the schools that benefitted from the GSLP.

A. The area most frequently mentioned was that concerned with obtaining students' status reports from the educational institutions themselves. When students change their names, enter military service, transfer to other schools, quit the program, or move from their original addresses, the school is aware of these changes and has them in its records. However, the lenders have had very little success in obtaining any of this information from the schools. Some schools have cited privacy as a controlling factor, while others have mentioned the time and staffing they have allotted to this student loan program as inadequate to meet lenders' requests. However, the lenders have found that, when the request comes officially through state or federal agencies, they have fewer problems with the schools. Other lenders complained that, although OE could obtain and provide this information, the material usually didn't reach them in a reasonable period of time (or didn't reach them at all). Lenders suggest that one of the provisions of schools accepting students who use the GSLP should be that the schools provide lenders with the necessary records and information. Again, this request does not apply to those schools that act as lender themselves. One large educational institution had been sending postcards to notify the lenders of student status

changes. This was the only school doing so in connection with any of the institutions interviewed and was cited as extremely helpful by the lender involved.

B. Many lenders were aware of abuses of the GSL program by certain schools. This problem was discussed in an earlier section, but would probably require major policy changes to alleviate it.

IV. Finally, the lenders saw areas of concern within their own and other lending practices. Through experience and modification, several lenders that had been involved in the program since its inception had developed methods of reducing their problems. Their comments are also included in these remarks.

A. One area consistently checked concerned the question of cross-borrowing. Although several of the lenders visited did permit this practice, most who had done so earlier now restricted loans to present bank customers who had no other educational loans with other lenders. The comment was often made that each lending institution should service its own customers, thus spreading the burden/opportunity among all eligible institutions in a given area.

B. In conjunction with the above comment, it was suggested by many lenders that, although the program did pose certain inconveniences (and sometimes losses) and seldom provided as good a return on their money as other loan programs, the GSLP nevertheless did provide a real service to the community. The GSLP can be used by the lenders as a community service in their own public relations and advertising. Several suggested, in fact, that the federal government should stress this point wherever the program is presented to students and impress upon them that the lender does not stand to make any huge profits from the program.

C. Certain restrictions on eligibility for loans had proven useful to many lenders in controlling default. They included limiting the amount of money loaned to any student during one school term, disallowing loans to freshmen (thus selecting applicants with a proven academic survival record as well as effectively eliminating loans to the higher risk, short-term proprietary schools), choosing applicants who were already customers of the lender, choosing applicants with a past history of good scholastic marks, limiting loans to students under 26 years of age, and excluding part-time students.

D. Many lenders had noticed when parents or others co-signed regular loans there was considerably less difficulty in tracing a student who defaulted and obtaining repayment because the co-signers helped in both processes. As mentioned earlier, a number of lenders said they would prefer to require co-signers if such a provision could be written into the program.

E. Some lenders did not actually make credit checks on their applicants or use the material when it was supplied unless the applicant's credit record was unquestionably poor. However, those who did make thorough checks and made good use of their findings reported the practice was very beneficial in relation to lower default records since they had initiated the practice. Another related observation by one lender included its successful use of a detailed application form that required not only credit information, but also estimates of incomes and expenses, personal references, employment history, Social Security number, driver's license number, and permission from the students to have full access to their academic records while using the loans.

   Most of the lenders indicated that a personal interview was an important part of the application process, although not all lenders visited actually conducted one.

F. Another practice that several lenders had found very useful was that of requiring the borrowers to read and sign a letter of responsibility before they obtained loans. This letter would repeat the repayment terms. In one lending institution, actual seminars were held with groups of borrowers (and sometimes their parents), where the substance of the loan terms were carefully explained and discussed, again stressing the borrower's obligation to repay. The lenders who used these practices felt they had contributed significantly to a reduction in their default rates.

G. Lenders who remained in close contact with their borrowers throughout the life of the loan and carried on correspondence prior to graduation and during the grace period seemed to feel they had a much better chance of obtaining repayment than if they had failed to do so. Of course, this effort represented a considerable investment in time and additional paper work over a period of many months and often years. But again, lenders who followed this policy seemed to feel it was one of their best methods of encouraging repayment and reduced the necessity of later tracing and persuasion problems, delays for claims payments (with loss of interest), etc., at the end of the grace period.

   Several lenders also conducted exit interviews with loan holders immediately prior to or following graduation as part of an effort to establish contact before the graduate had become difficult to locate.

H. Many lenders reported that some students had difficulty fulfilling repayment terms. Whenever lenders had a policy of trying to work problems out with these students, they were generally successful in doing so. These lenders reported they felt the additional time spent and the flexibility of terms they permitted were worth the additional effort because it helped prevent possible defaults.

I. Almost without exception, the problem most often mentioned by lenders was that of trying to trace their borrowers when it was time for repayment. Because lenders do not have access to other government records and because many schools are not cooperative in this respect, the lenders are often forced to hire professional collection agencies to assist them in this task or else devote a great deal of their own staffs' time and effort to the problem in order to prove that "due diligence" was exercised. This, of course, increases the costs of the program to the lender and, as mentioned earlier, help from any other federal agency or the schools would be highly appreciated. Those lenders who are primarily educational institutions and secondarily acting as lenders often find this particular aspect of the program very difficult. One lender cited the high cost of searching for students all around the United States and sometimes outside the country as one of its primary reasons for phasing out of the program.

J. RMC interviewers noted that those lending institutions that tried to manually manage the records connected with GSLP expressed more problems and discontent with the program than those who had computerized services. Of course, the size of the operation involved was an important factor in the need for and benefits of automation. Only a very small lender with a small portfolio did not have some difficulty managing the record-keeping involved. Several of the larger operations represented centralized services for a group of smaller branch banks. Again, if the portfolio of GSLP loans was large and computerized, there were fewer problems expressed than if the services were managed manually. Some smaller lenders felt they did not have the financial resources to justify the costs of computerizing their GSLP operations.

K. Several lenders suggested there was a direct relationship between the difficulties they had in obtaining repayment and the number of loans given to vocational education students. Other lenders did not see this area of student loans as one that presented any particular difficulty, but rather preferred these loans because of their relatively short-term duration. However, most of the lenders interviewed felt otherwise, unless they themselves fell into the category of vocational schools that acted as lenders.

In summary, most of the lenders visited were aware of the importance of the GSL program. Although the lenders recognized the value of the program to students and the community, they felt the costs of the program were expensive compared with the monetary benefits received. Lenders tended to look on the program as a community service rather than a good financial investment. Most lenders were in the lending business and felt their experience and expertise would result in a more efficient program if the lenders were allowed more flexibility. They see areas of the program that could be

improved. If some of those improvements were made, lenders feel the relative costs could be decreased, which, of course, would make the program more attractive to them from a financial point of view. As a result of the tight money market, many of the lenders we visited felt that, whenever possible, improvements in the GSLP should be made to encourage continued lender participation in this worthwhile program.

5

CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the conclusions and recommendations prepared by RMC Research after examining the data obtained from GSLP lenders. Probably the most beneficial result of the project is the extensive data on the operations and behavior of both GSLP lenders and borrowers, which has been fully discussed in previous chapters. Rather than repeat the items discussed earlier, this chapter focuses on the major patterns and unexpected results.

Although the wide-scale structured mail survey of lenders provided the primary basis for these conclusions and recommendations, RMC also drew upon the more limited site-visit interviews. Two other mail surveys were conducted. The first survey was sent directly to borrowers, but this survey did not prove as useful as originally hoped because of a proportionally low number of responses from defaulters and minority groups. The low number of responses resulted in estimates of less precision than originally hoped for. Nevertheless, many interesting areas had differences so pronounced that the lack of precision did not compromise the character of the results, and these have been taken into account.

The second survey covering borrowers was sent to lenders. Included in the approximately 5,000 responses were over 660 responses describing defaulters and a proportional number describing minorities. This survey provides a reliable data base for making inferences about these subpopulations.

STUDY CONCLUSIONS

In an overall sense, the collection and analysis of lender data from the survey has produced a much greater understanding of operations and attitudes of lenders participating in the Guaranteed Student Loan Program. Moreover, by conducting this survey in a systematic way with a representative sample of GSLP lenders, the results are worthy of more confidence than isolated or unverified comments volunteered by some lenders (often precipitated by particular problems). This is true even in those subject areas where the survey supports previously held beliefs. Since the survey obtained valid responses from about 70 percent of the lenders selected (and this represented about 72 percent of the GSLP borrowers in repayment), RMC feels there is a solid base for conclusions about lender behavior and attitudes. Although (as in any survey) it is not possible to completely eliminate the possibility that lenders modified their responses to present a biased picture beneficial to them, RMC found no evidence of any trend in this direction.

Before presenting specific conclusions, it is worthwhile to review the major objectives of the lender survey as previously presented in Chapter 1 and to summarize the success of the survey in achieving these objectives.

(1) To expand on the information lenders currently report to the Office of Education, particularly for data needed on a one-time basis for OE's Loan Estimation Model. The lender survey of the study has clearly provided several types and amounts of additional information concerning lender operations and behavior. OE's Loan Estimation Model is helped by the addition or verification of GSLP operational data that are needed to estimate parameters of the model--for example, (1) the classification of loan status, which bears on the distribution of loans within the model and on establishing transition probabilities for borrower progression from one loan status to another, and (2) estimation of average repayment amounts and duration.

(2) To determine lender experience with loan defaults that will be used to evaluate the OE data file and to assess certain qualitative aspects of the loan office portfolio. Considerable qualitative data on lender experience with loan defaults were obtained by the survey, but only limited information on quantitative default rates for lenders was obtained (because not enough lenders provided aggregate quantitative default data). However, some quantitative estimates of default were obtained from lender-supplied data in the RMC sample of borrowers.

(3) To determine some of the important procedures relating to lender administration of guaranteed loans. This objective was fully satisfied from the lender survey; it provided both empirical data on active lender procedures as well as on lender preferences/attitudes on many aspects of GSLP administration.

(4) To estimate some of the primary costs associated with the administration of guaranteed loans. This survey did not completely succeed in obtaining lender costs for administering GSLP because of the inability of lenders to identify or provide such data. However, the survey did succeed in obtaining relative cost information for major cost categories involved in administering GSLP.

(5) To determine some of the opinions, viewpoints, and more formal policies that constitute lender response in the structural and administrative requirements of the GSL program. This objective was fully satisfied through lender responses to a series of questions on GSLP requirements and possible program changes, particularly as it relates to participation by the lender in this program.

(6) To determine certain aspects of borrower repayment experience with lenders. This objective was fully satisfied through data obtained from lenders concerning a representative sample of GSLP borrowers.

In summary, the survey and resulting analysis were able to achieve the original study objectives related to lender operations, with the exception of the two areas identified above where only partial results were obtained. The following sections discuss specific areas of interest.

Participation of Lenders in GSLP

Conclusions related to the willingness of lenders to make loans to students under this program can be grouped around the following three areas:

- The primary purpose cited by lenders for participating in GSLP involved serving their customers or the community in general. Discussions during lender site visits revealed that, to some

lenders, GSLP was an obvious part of a public relations or community service objective. Loans for educational purposes are recognized as a legitimate need of the appropriate constituent group, and lending institutions used GSLP as a vehicle to serve that need. This was a previously held belief and has been confirmed by this survey.

- Despite lender interest in serving customers, the survey results are heavily laced with lender concern about economic return. Although various lenders focused on different aspects of the economic equation (e.g., higher interest rates, lower administration costs, more lender flexibility), the real concern appeared to be the net contribution toward profits. At the same time, the site visits did not find a high concern about earning or maximizing profits. Instead, a strong concern to at least break even--that is, to achieve other objectives while not suffering any overall loss from the program--was seen. This concern for at least breaking even, rather than earning high profits, probably reflects somewhat the abnormally tight money market in the period just preceding this survey. However, these implications must still be significant to OE if it desires to increase loan funds available through GSLP since 70 percent of lenders (covering 52 percent of the borrowers) had no expectations of increasing their level of participation. The action most likely to bring about additional investment funds is clearly that which will improve actual returns to lenders (including reducing administrative burden and, hence, lender costs). This preoccupation with economic returns is not surprising given the profit motives of most of the lending institutions.

- Lenders are significantly concerned about the amount and growth of federal "paper work and red tape" required by GSLP. For most lending institutions, GSLP represents less than 5 percent of their loan investments, but takes a far greater proportion of their administrative efforts. A few say they are dropping out of the program primarily for that reason. During the site visits, lenders consistently commented that they wanted more flexibility in their actions under GSLP. While they were partly motivated by the desire to reduce the amount of paper work and record-keeping, it was also clear that many lenders felt their regular ways of operating in a lending environment were adequate and they could achieve better results in their own way. Even though this self-interest probably contributed to some of these lender statements, it is also likely that there is considerable truth in their beliefs. There is a wide variety of record-keeping systems among the many types and sizes of lenders participating in GSLP. It is difficult (and expensive) for many to meet all federal data requirements without modifying their systems (the same was true for meeting the data requests of this survey).

Student Access to GSLP Loans

Contrary to generally held opinions, GSLP is not a student aid program accessible or open to all students. Entirely separate from GSLP legislation provisions and OE regulations, large numbers of lenders have introduced additional constraints that limit student eligibility. These include large numbers of lenders who restrict loans to existing customers, do not give loans to first-year students, do not give loans to vocational school students, or prohibit loans to students holding GSLP loans from other lenders. However justifiable the particular lender may feel these provisions are, the net effect is a differential pattern of student accessibility to GSLP funds. There is a dual rationale for these lender-initiated constraints: (1) a judgment that the student or the program is best served by not granting certain types of loans, and (2) as a way to ration the investment of lender funds in a program operating at a net loss. The data from this survey do not allow an assignment of relative cause between these factors.

Effect of Lender Size

The level of lender participation in GSLP was found to be the most useful explanatory variable in understanding lender responses. There is a very wide distribution of GSLP lender size, as measured by the number of borrowers who have reached the repayment stage. A very large number of lenders each have a small participation in GSLP. Almost half of the lenders have less than 50 borrowers in repayment and almost three-quarters have less than 100. An analysis of the survey data reveals that this size variable has a strong effect in explaining many other observed relationships and procedures. For example, there is a significant tendency for the smaller lenders to have considerably more occurrences of zero default situations, and to spend proportionately less of their costs on finding defaulters and preparing claims. Smaller lenders are also much more likely to require customer status before granting loans.

Distribution of Default

Although the available lender data did not allow extensive analysis of default rates, it is clear that the phenomenon of default was not evenly distributed among lenders. The amount of defaults is concentrated in certain geographical areas. However, as mentioned above, the large lenders had considerably more of the default occurrence, and this therefore explained much of the geographical dispersion since certain geographical areas had larger concentrations of larger lenders. Forty-nine percent of the lenders filed no claims for default during 1973, but they represented only 13 percent of the borrowers in repayment. In addition, the lender-supplied data on the sample of borrowers revealed much higher than average default rates for vocational schools that act as direct lenders (47 percent default) and savings and loan associations (26 percent). Credit unions had much lower than average rates (7 percent).

Lender Difficulties Locating Borrowers

It is clear that one of the biggest problems facing lenders in administering GSLP was locating students during the repayment and default periods. A large part of this problem concerns invalid addresses and lack of knowledge about students changing loan status or location. This is verified by RMC's borrowers survey, which still had 58 percent of its defaulters and 26 percent of its nondefaulters with invalid addresses, even after extensive follow-up activities using credit bureau checks and IRS tax return addresses. Lenders consistently described lack of cooperation and assistance from schools attended by the borrowers in verification of loan status changes and assistance in tracing defaulting borrowers.

State Guarantee Agencies

While this survey did not include sufficient observations to make conclusions about individual or groups of state guarantee agencies, site visits (and other information) indicate that a wide variety of assistance and effectiveness exists among state guarantee agencies--with a few state guarantee agencies establishing data systems and providing assistance to lenders far more than the federal program. Some state guarantee agencies

also have different definitions and procedures for default claims, therefore making it difficult to aggregate data from the federal and state guarantee program components.

Validity of OE GSLP Data

One subsidiary objective of the study was to compare data, where possible, covering the same variables obtained from this survey with those contained in GSLP files of OE. This provides a measure of the data validity, but there was no opportunity for field investigations to determine the "true" value of each variable. For its purposes, RMC assumed the more recent data it received directly from the lender represented the correct situation at that time.

RMC found substantial differences in status code information. Lender status code information indicated that 10 percent of those classified as defaulters by the Office of Education were in repayment or paid in full. It was also found that 18.5 percent of those classified as defaulters by the lenders were classified by OE as in repayment, paid in full, or in the grace period. Another 16.7 percent were classified as withdrawn by OE--thus 44 percent of the defaulters identified by the lenders were nondefaulters on the GSLS II files. While some of these differences are probably caused by time lags in reporting status changes to OE, a substantial number are likely to be continuing errors. Therefore, any analysis or other uses that depend upon loan status data from the GSLP master file should be interpreted very carefully.

Borrower addresses from the GSLP master file had even greater occurrences of incomplete or wrong data. In this case, there is no solid basis for establishing an error rate; RMC's subjective estimate after fifteen months of working with the addresses is that about 60 percent are either incomplete or inaccurate. In particular, most street addresses are missing. This is not meant to be critical of the file maintenance because it is understood that the files were not intended to be used for borrower tracing (except for the special subfile of defaulters). However, for any contemplated use of these address data, one must understand their limitations and incompleteness.

The quality of biographical variables was good. Only one error was found in the sex code and an error rate of 5 percent was found for the race code.

There were no comparable estimates available to us relating the financial information contained in the file to the estimates we derived, specifically for the repayment population. The only comparable study dealt with the total GSLP borrower population and provided estimates based on the loan as a unit of measurement and not the individual in repayment,[1] which is the case with this study.

Defaulter Characteristics

A major focus of this study was to uncover the characteristics of defaulters and institutions that have a high proportion of defaulters. Through a series of two-way analyses of the borrower data supplied by lenders, certain distinctive features of the defaulter population were discovered. We found the following groups to have significantly higher default rates than the average over the entire program:

- students from vocational schools--in particular, students from vocational schools acting as direct lenders; and
- students with weak lender relationships--this includes students that lenders cannot find, students who do not get their loans from the lenders in a face-to-face encounter, students who do not fully understand their obligations and rights.

We found the number of loans and amount of debt essentially unrelated to default. However, we did not have enough observations to effectively analyze the very highest debtors as a group.

Lender Relationships

Defaulters as a group have a very loose relationship with the lender from which they borrow. Many of them do not ever meet with the lender; they report that they do not understand most of the loan terms or their rights and responsibilities. Many defaulters are never found by the lender when repayment is scheduled to begin. Sixty percent of the defaulters come from families with no account relationship with the lender; only 30 percent of the nondefaulters do.

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1. Systems Group, Inc., Loan Analysis of the Guaranteed Student Loan Program (GSLP) (October 1973).

Type of School

Vocational schools as a group exhibit default rates more than twice as high as colleges and universities. Vocational schools that also act as direct lenders exhibit default rates near 50 percent--about four times higher than colleges and universities. We cannot conclude that the problem is a lack of quality in the vocational school programs, although our site visits have confirmed this in certain cases. The vocational schools appear to attract students who are often unqualified for more advanced studies, who may not be high school graduates, and who might not be realistically qualified to undertake any sort of academic program. Some vocational schools have responded to these students by screening them; others seem to have used them simply to expand their enrollments or their default claims.

STUDY RECOMMENDATIONS

As a result of the survey data and the experiences obtained by this project, RMC Research has prepared the following recommendations concerning the Guaranteed Student Loan Program. While it is realized that some changes to GSLP are being contemplated (or already started) as a result of the variety of other investigations and studies conducted within OE and Congress, these recommendations are based only on the current survey and site visits. Some of these recommendations would require legislative changes and some could be implemented by OE through modification of its own guidelines and procedures.

One special and important nature of any recommendations must be recognized from the very beginning. Formulating a recommendation for specific action to be taken implies an assumption about a desirable or preferred outcome. Since a complex program such as GSLP has several objectives, it is often necessary to establish priorities among competing objectives--or to decide between objectives when an action has opposing effects upon them. For some simple cases, such as improving the operating efficiency of the program, there may be little difficulty in obtaining agreement on the goal and methods of achieving it, but, as a counter-example, consider the goal of reducing a growing OE program cost by minimizing high loan default, which

at the same time will reduce the access of certain groups of borrowers or schools to GSLP loans for financing their educational programs. Choices must be faced, such as--Is default by anyone tolerable, even if guarantees by the federal government mean that certain population groups are thus heavily subsidized, while other groups are not? Or does the extension by Congress in recent years of GSLP eligibility to vocational schools and students mean that very high default rates by this group are acceptable social policy.

The reason for raising this issue is to point out that formulating recommendations requires value judgments--judgments that should not be made by a contractor, but by Congress or its delegated policy-makers. It is not appropriate for RMC to make what is basically a political decision that affects redistribution of income and equity of treatment. Therefore, RMC has attempted to clearly state such implications along with its recommendations, wherever appropriate.

Recommendations Affecting Lenders

When this survey was initiated, there was concern that the lenders were reducing their total dollar investment in GSLP and that this reduction might limit the ability of the program to supply significant amounts of needed student financial aid. While improving money market conditions may have diluted the impact of this concern, it is still important to identify the factors that would encourage or reinforce participation in GSLP since the whole concept of guaranteed loans depends heavily on leveraged funds from nongovernmental direct lenders. Intertwined with the factors that would encourage lenders to maintain or increase GSLP investments are various administrative actions that would increase the efficiency of the current program and in that way reduce lenders' costs and other difficulties.

If GSLP investment levels are to be maintained, OE should pay closer attention to maintaining competitive rates of return to lenders. OE has the ability to increase the special allowance rate (up to 3 percent maximum) and might be able to take some administrative actions to reduce lender operating costs. During times of rapidly changing money market conditions (such as the last two years), OE must exercise its full ability to ensure that most lenders do not reach the position where average or

marginal GSLP revenues do not at least equal GSLP costs. OE was very slow to respond to this issue during recent times and many lenders lost confidence in OE and reacted accordingly.

If greater investment in GSLP is desired, OE should increase economic returns to lenders significantly. Lenders are already investing in GSLP to serve their customers and obtain community good will. To divert significantly greater funds from other investment areas, RMC believes lenders would require substantial increases in rates of return from present levels. Any combination of OE actions to increase interest revenue or reduce lender costs would have this effect, based upon lender responses to this survey.

OE should give consideration to several administrative improvements that would increase the efficiency of lender operations (and probably have positive effects on effectiveness and lender willingness to participate). Measures aimed specifically at reducing default will be separately discussed subsequently.

- Define "due diligence" in specific terms so lenders will know what their actions should be before filing default claims. There is substantial confusion and resentment among lenders; much inefficiency results. While defining "due diligence" in very general terms may encourage some lenders to continue their efforts even further, the uncertainties involved increase operating costs and polarize relations. Many lenders are convinced their lending experience allows them to judge early in the process which borrowers are never going to start repaying; they would rather stop after some minimum collection effort and concentrate their efforts on other cases where they think it would help more. For example, some borrowers have directly told lender staff they definitely could not or would not make any repayments (and they didn't).

- Redesign forms and procedures to allow a much simpler process when a previous borrower receives an additional loan. It could be considered an "add-on" loan (or amendment) rather than a whole new loan. The lenders (and OE) would be saved considerable paper work and record-keeping. Approval could even be automatic, with problems being resolved on an exception basis. Lenders indicate that subsequent loans are disapproved at the federal or state level in only a very small number of cases. At present, the typical student in a four-year college program has four separate loans and essentially four separate sets of records. Many lenders already use the revolving or add-on types of loans in their regular business or non-GSLP educational loans. Similarly,

OE should help control lender costs by avoiding the temptation to attack every apparent abuse or variant with new regulations or reporting forms. Admittedly, it is difficult for a federal agency to maintain a proper balance, given its central but remote location from actual lending operations, but it is an important goal to keep in mind. Perhaps the exceptions principle, widely used in the management of the nongovernmental sector, might be applied here (the exceptions principle allows approval by an operating agency, and only the small numbers of exceptions or problem cases are reviewed or approved by a higher-level review agency).

- Investigate the feasibility of OE doing more central recordkeeping to reduce lender costs and capitalize on large-scale computer operations. Under OE's control, it may also be possible to make better use of other federal records (IRS, Social Security, etc.) to help find missing borrowers. More assistance of this latter type was a common lender request.

Recommendations Intended to Reduce Loan Default

High and growing borrower default on GSLP loans was a serious problem at the initiation of this study and continues to be so. The cost of paying for these unexpectedly large numbers of defaults continued to be an increasing problem for all parties concerned--OE, HEW, Congress, and lenders. While other recommendations described here do have effects on the default process, this section includes specific recommendations aimed at this problem area, based on the data and experiences of this survey.

If the current high default rate has as serious an impact as it appears, OE should limit the eligibility of certain types of borrowers or lenders. This exclusionary approach is a very stringent step, but it may be necessary if the high federal appropriation now required and the attendant bad publicity on nonrepayment provide a threat to the continued existence or viability of the loan program. Since default was found to be concentrated in certain population groups, the rationale is to exclude those borrowers least likely to repay their loans. While equity and wide access to student loans are admittedly constrained by this action, it should be recalled that other aid programs (e.g., BOEG) are intended to help with grants for many of the borrowers expected to be affected. Consideration should be given to one or more of the following policies:

- Add expected ability to repay as a criterion for GSLP loan eligibility. This would add a dimension to the eligibility requirements much like that applied by lending institutions in their regular course of business where a guarantee against non-repayment of principal is not available. This recommendation builds upon the observations of this survey that found many defaulters who dropped out of their programs did not appear qualified to undertake the program of study, were not able to get employment after graduation, or were unable to earn sufficient earnings to repay the GSLP loan. Two basic criteria could be applied by the lender: (1) Does the borrower have a reasonable chance of succeeding in the proposed program of study?, and (2) Does the program of study, considering the borrower's situation, promise to provide the borrower the potential to repay the loan? Possible screening requirements under the first criterion could be a high school diploma or test certification, or having successfully completed a portion of the training or school program already. Under the second criterion, perhaps a financial aid analysis--including the borrower's expected future earnings after completing the program and the repayment burden (educational and non-educational) the borrower will have at that time--could be applied. These screening procedures could be expected to eliminate from the program many people with a low probability of repayment. Both lender and borrower survey responses reported over half of the individual defaulters did not complete their educational programs. Although including the above factors in awarding loans would be admittedly difficult to implement, successful application of these policies have a potential impact of cutting default rates by a maximum of 50 percent, based on defaulter data obtained by this survey.

- Eliminate vocational schools from GSLP eligibility. This policy would have a dramatic effect, since it would simultaneously eliminate certain lenders, borrowers, and students of doubtful quality. However, it would disproportionately eliminate minorities, women, students from low-income backgrounds, and other such groups. This, of course, is a reverse of the extension to GSLP added by Congress a few years ago. However, the data from this survey (reinforced by other data) show that vocational students clearly have higher default rates. The potential impact of this policy would be to lower default rates by as much as 7 percent.

- Establish two separate programs--one for vocational schools and one for regular academic collegiate programs. While this policy would theoretically have no direct impact on reducing the default rate, it would clearly focus attention on the different nature of the two programs. Different eligibility requirements could

then be established for the two programs and the special problems of both vocational school students and vocational institutions could be addressed. The attention of all parties concerned would be focused on relative default rates, and subsidizing the two programs may be justified on different grounds. At a later point, it might even be possible to convert the vocational school program to a grant program, thus better suiting the needs of that student group.

- Do not allow vocational schools to act as direct lenders. This policy is a corollary of the recommendation above, and would eliminate possible conflict-of-interest situations. Vocational school students would still be eligible to obtain loans from regular lenders, assuming their school was still considered eligible as an educational institution. While eliminating some particularly messy situations, this policy would have only a small impact on the overall program default rate since the number of such lenders is relatively small.

- Allow lenders to require co-signers and encourage lenders to require previous family account relationships. Either or both of these requirements would be aimed at getting someone else to assist or pressure the borrower to repay his loan obligation. They also facilitate greatly the location of borrowers when time for repayment arrives or when repayment stops. The family account relationship requirement could be a problem for certain large lenders because they might be open to charges of illegal monopoly or restraint of trade in their market areas. However, this survey found that a large percentage of GSLP lenders already require such customer relationships and there are indications that such lenders have less default than others. Although GSLP legislation would have to be changed to allow lenders to require co-signers, our site visits to lenders found some who required co-signers to disperse USAF funds and regular educational programs. The site visits also found most lenders would use such a provision for co-signers if it was allowed by GSLP regulations. The impact of the co-signer policy is unknown, but probably very significant. The impact of the previous family relationship could be to lower default rates as much as 5 percent. Of course, both of the above restrictions would severely limit access to certain socio-economic and demographic groups of students.

OE should implement various administrative policy changes specifically aimed at reducing high borrower default. These potential changes should reduce the inability to locate borrowers at repayment time and otherwise improve the ability to collect loan obligations.

- Tighten up OE's loan collection process on defaulted loans. While OE has undertaken direct collection for loans on which it has paid lender claims for default, there is still considerable room for tightening this process. Improvements should be made in both the depth and breadth of this collection process--that is, additional staff and resources should be allocated to this collection effort and individual collection cases pursued further. The advantages of this process are felt not just on the loans being collected, but on all other loans through the dissemination (officially and unofficially) of information that intensive collection efforts by the federal government are underway. Procedures for intensifying this effort include taking some defaulters to court action, where some resources for repayment exist; threatening and carrying out the action of informing all credit sources that the borrower has defaulted (e.g., thus preventing the obtaining of house mortgages, etc.); and using the full strength of the federal government to collect obligations (e.g., tax liens, wage garnishees, employer notifications). Contracts could also be established with private collection agencies that specialize in this activity. While the federal government may be reluctant to pursue some of these options because of concern about bad public relations, the equity and public relations value from many other borrowers who did repay their loans should also be considered.

- Establish direct contact between the Office of Education and the borrower. OE could receive the original student application or could communicate directly with borrowers once the lender has approved the loan. The principal value of this approach is that all borrowers would have a uniform introduction to the GSL program. All borrowers would be informed of their rights and obligations and would have the chance to change their minds easily without confronting the school or the lender. OE would gain the knowledge that, at least initially, the home address on the application was accurate. This direct OE contact could also be extended to include the requirement for annual or other periodic identification by the borrower of current status and location (such as the annual alien registration cards required by law).

- Require annual notification to lenders by student or school. This requirement is aimed at the lenders' difficulty in knowing student location or change of status under the present procedures where OE is the intermediary. It is also aimed at the lack of cooperation by many schools regarding lender requests for information. With this requirement, the school would have to directly notify the lender when students discontinued their academic programs. In addition, this measure would presumably make it easier to trace students. The address problems encountered in this survey make it clear that something along this line must be done. Perhaps reimbursing schools for monitoring and tracing GSLP students would be a cost-effective way of reducing default.

- Limit the GSLP access of schools or lenders with excessively high default rate experience. This provision will focus attention on institutions with high default rates and limit the addition of new loans with high probability of future default. These new regulations could take the form of prohibiting new loans when cumulative default rates exceed a certain limit (say twice the overall national rate) unless OE finds special circumstances to justify an exception.

RECOMMENDATIONS FOR FURTHER RESEARCH

RMC Research sees the value of OE continuing research in certain areas related to GSLP. This section identifies and briefly describes these recommended areas.

- OE should continue to improve the quality of the GSLP data base. Considerable information is collected and maintained in the GSLP loan control master files, but some parts of it are known to be out of date or of uncertain quality. Continued efforts to validate data elements and to improve their quality are valuable. This is particularly true for such critical information as loan control status and information that allows location of students. At the same time, the master file contains a lot of historical information that is not used in any critical decisions and therefore is of less importance.
- OE should periodically update the findings of this survey. This is particularly important for information concerning the perceptions of both lenders and borrowers since it can be expected to change over time. Furthermore, changes in the GSLP regulations and administration as well as fluctuating economic conditions can be expected to alter some of the results obtained by this survey. Clearly, the survey was cross-sectional in nature at a particular point in time and other periodic cross-sectional examinations would also be valuable. Better still would be a special sample of borrowers to be examined on a longitudinal basis. For example, a small stratified sample (say, 2 percent) could be taken periodically of GSLP borrowers as they receive their first loan. Separate files, which recorded all aspects of the progress through the GSLP loan and repayment process could be maintained for this group. Special questionnaires could even be sent to those borrowers (with extra payments for their cooperation in supplying additional information if necessary). Charting the progress of this special sample could provide a substantial amount of valuable information over and above the normal status information required for all borrowers.
- OE should investigate operating costs of lenders. The GSLP operating costs of lenders are still an important question that has impact on the actual net economic returns (and therefore on their motivation to participate in GSLP). Information on lender costs is very difficult to obtain, as reinforced by the small attempts of this study. RMC recommends that OE undertake

concentrated efforts to obtain cost data needed for such analysis from a small but representative group of lenders. Because of the varying accounting systems maintained by lenders and the extra efforts of obtaining this information, OE would have to spend significant time on-site at most lenders to properly prepare usable information on costs and revenues. However, with such information, there is a considerable amount of economic analysis that could be carried out to substantially improve the understanding of GSLP relationships.

- OE should study the operations of GSLP state guarantee agencies to learn from their successful experiences. This study did not provide an opportunity to individually investigate any state guarantee agency operations, but there are indications that several case study examinations (of perhaps six-to-eight selected state guarantee agencies) would assist OE in understanding exemplary practices and perhaps to extend those practices to other state agencies and to the federal level.

- OE should examine the problems of GSLP schools. This study had little opportunity to directly observe the problems and needs of educational institutions participating in GSLP, yet they are an important part of the successful operation of this program. A survey that directly addressed their attitudes and operations would also be very useful. For example, better understanding is needed of the role Guaranteed Student Loans play in student financial aid packages provided by educational institutions. Educational institutions apparently have an impact on default rates, and subsamples would be needed for various types of schools, such as vocational schools, proprietary schools, and junior colleges.

- OE should investigate policy effects and causal relationships. If any of the previous recommendations are pursued for eliminating certain high defaulting groups of borrowers or institutions from GSLP eligibility, then OE should initiate additional study into the effects of these actions. For example, if an eligibility criterion is added for having reasonable probabilities of succeeding in the academic program entered, then OE should survey the literature and initiate research on predicting short-term success in schools. If financial ability to repay a loan is added, then further research into earnings levels that are sufficient for repaying certain sized loans for particualr occupational categories or training would be useful. OE should initiate research into particular casual relationships identified in this study since the survey was the first direct study of GSLP lenders and borrowers and therefore somewhat "pilot" in nature. Smaller specific examinations of some of the more interesting and critical relationships identified in this survey are probably worthwhile. For example, the level of activity in GSLP of a lender appears to be related to several aspects of default and lender operations. Further investigation with

lenders may be able to identify specific causes involved and point to specific actions OE might take with the very large or the very small GSLP lenders. Furthermore, the survey confirms the high default situations with vocational students and direct vocational lenders. If these groups are to remain eligible in the GSLP program, separate investigations as to the cause of their special problems should be beneficial.

APPENDIX A

DESCRIPTION OF SURVEY PROCEDURES

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DESCRIPTION OF SURVEY PROCEDURES

In carrying out the actual surveys, RMC used the best practices in the field of social science surveys, plus special elaborations in response to some unusual features of this project. This appendix describes the procedures RMC used in the various tasks of sample selection, mailing, address checking, nonresponse follow-up, questionnaire editing, and data processing.

CLEARANCE AND MAILING PROCEDURES

On June 13, 1974, RMC was notified by the OE project officer that OMB approval had been received for the data collection instruments. The OMB approval number was given as 51-S74017, to be applicable to all three parts of the survey. This authorization included an expiration date of August 31, 1974. A few days prior to this notice, RMC was notified of approximately 18 minor changes to individual questions recommended by OMB. At that time, the three instruments were again reviewed by RMC. The changes suggested by OMB were incorporated into the questionnaires. Two questions were omitted and precoding was established for answers to all questions to facilitate editing when the questionnaires were returned from the field.

RMC then printed enough copies of the questionnaires for initial mailing and expected follow-up. Copies of the printed questionnaires were sent to the OE project officer for forwarding to OMB. In addition, copies were sent to DIL personnel for their reference and files. Arrangements were also made for printing outgoing mailing envelopes and postpaid business reply envelopes for returning the completed questionnaires to RMC.

As soon as the printed questionnaires were available, the mailing process was carried through to completion. Mailing labels for all lenders and borrowers with known addresses were prepared and affixed to the questionnaires and outgoing envelopes. Where lenders did not provide addresses, older addresses from OE central files were used. All of this was completed by the end of June. Within a few days after the mailout, a significant number of inquiring telephone calls and initial responses had been received by RMC.

Prior to and during the survey period, RMC continued its liaison and coordination with the GSLP program officers, the Division of Insured Loans (DIL). For example, on May 29, 1974, a meeting was held with Mr. James Moore, Director of DIL, and several of his staff. The occasion was used to brief DIL on the status of the survey and to informally convey information on borrower status that had already been received from lenders by RMC. Another purpose of this visit was to describe the selection criteria and interviewing procedures that RMC planned to use for the field visits to approximately 40 lenders. Several criteria for selection of these lenders were described and a specific request was made to DIL for nomination of lenders in several categories that might be visited by RMC. Arrangements were also made to obtain a copy of the recent "mature" paper report from DIL so that lenders with high and low default rates could be examined. DIL agreed to provide the requested information after soliciting suggestions from internal staff and some regional offices. On July 1, 1974, RMC received these combined suggestions. In addition, RMC suggested to DIL that the HEW Regional Offices and State Guarantee Student Loan agencies be sent a copy of the letter and other information going to lending institutions so they would be familiar with the study and could answer questions that might come to them once the questionnaires were received. Sixty copies of this information package were provided to DIL in mid-June.

SAMPLING PROCEDURES

The actual sample selection process was carried out by RMC based on the sample design approved by OE (which is described in Chapter 1 of this report). This section describes these sampling procedures and the resultant sample for the reader who is interested in checking the methods

or assessing the validity of the sample itself. Sampling procedures were carried out by computer whenever feasible.

As described earlier, the primary thrust during the initial file creation and merging process was to establish the universe of lenders who had borrowers in repayment. Incidental to this, a universe of lenders who had borrowers in repayment status was also created. Each of the 14,000 records in this file represented a lender's name, lending type and address, as well as the number of borrowers in repayment status.

This lender file was sorted in ascending order by lender type and within type by ZIP Code and within ZIP Code by lender identification number. The last key served only to provide a predetermined sort order (so that if necessary we would redo the order). A skip interval of 1,416 was chosen to achieve the desired sample of 800 lenders. It turned out that only 784 lenders were actually selected, but the slight difference was unimportant to the sample design. Therefore, we felt it was better to proceed using the interval estimate (1,416) than to delay the sampling. The delay would have involved resorting the lender file by number of borrowers in repayment and running a special program to determine at exactly what point (skip interval) the number of lenders with more borrowers than the skip interval plus a sample of lenders (equal to the total number of borrowers represented by lenders) with less than the skip interval divided by the skip interval would equal 800.

Consideration was given to the question of including lenders with less than 10 borrowers in repayment in the survey. The number of such lenders selected by the sampling process was small (16), so they were kept in. This resulting group only accounted for 84 borrowers, slightly more than five per lender.

The borrower sampling was then carried out. Again, the file was sorted in ascending order by lender type, lender ZIP Code, and lender identification number. The borrower universe file was then compared with the lender sample universe. For each lender with less than 5,000 borrowers, exactly 10 borrowers (or all borrowers if the lender had less than 10 borrowers) were selected in a systematic fashion; that is, a random

start within the first decile was generated and then a borrower at every tenth succeeding percentile was chosen. For lenders with more than 5,000 borrowers, the initial borrower was chosen randomly from the first 500, and every 500th borrower after the first was selected.

For the large lenders selected with certainty, the universe and the sample are one and the same. Tables A-1 and A-2 show the distribution of the borrowers for the smaller noncertainty lenders by ZIP Code and lender type for the universe, and the sample weighted by the inverse of the probability of selection. The overall weighted sample closely approximates the universe, but those cells with small sizes have somewhat greater differences than the larger cells. The row percentages confirm the efficiency of the stratification.

A primary concern of the borrower sampling was to ensure that defaulters were represented adequately. Tables A-3 and A-4 display the distribution of the loan status of borrowers by the lender's ZIP Code area, both for the universe and for the sample. The proportion of borrowers with default codes in the sample (8.1 percent) is about the same as the proportion in the overall universe (8.4 percent). We do not, however, place much credence in this proportion as a measure of the program's default rate since there was a known lag in obtaining that status from the DIL Claims and Collections file, which at the time of our selection had 138,000 records. Several months later, the file contained over 215,000 records, which was probably the result of intensive efforts by the Office of Education to update its records. It is likely that, if our universe had been created four months later, it might well have shown 12 percent to 15 percent of its borrowers in default status.

RMC believes that the borrowers and lenders sample produced by these procedures is very suitable for assessing the status and problems of GSLP relative to repayment. Stratification by lender type ensured a good representation on that basis. Ordering lenders by ZIP Code before taking a systematic sample ensured a good geographic distribution, even though that variable was not expected to have any major effect. The distributions of the sample and universe presented in the previous two paragraphs show the

Table A-1

DISTRIBUTION OF BORROWERS FOR NONCERTAINTY LENDERS BASED UPON WEIGHTED SAMPLE

Lender Type	National ZIP Code Areas											
	0	1	2	3	4	5	6	7	8	9	Total	Percent
Unknown = 0	0	0	0	0	0	0	0	0	0	0	0	0
National Banks = 1	49,560	62,304	21,240	31,152	42,480	58,056	56,640	31,152	25,498	33,984	412,056	42.9
State Banks (FDIC) = 2	41,064	35,400	16,992	28,320	49,560	70,800	49,560	24,072	18,408	11,328	345,504	36.0
State Banks (non-FDIC) = 3	0	0	0	0	0	0	0	0	0	1,416	1,416	00.1
Federal Savings and Loan = 4	5,664	4,248	2,832	8,496	4,248	4,248	7,080	2,832	1,416	7,080	48,144	05.0
State Savings and Loan = 5	8,496	2,832	0	0	2,832	1,416	2,832	2,832	1,416	7,080	29,736	03.1
Federal Credit Unions = 6	4,248	1,416	1,416	4,248	2,832	0	2,832	2,832	4,248	5,664	29,736	03.1
State Credit Unions = 7	1,416	0	0	4,248	2,832	1,416	4,248	1,416	1,416	1,416	18,408	01.9
Mutual Savings Banks = 8	28,320	15,576	0	0	0	0	0	0	0	1,416	45,312	04.7
Insurance Companies = 9	1,416	0	0	0	1,416	0	0	0	0	1,416	4,248	00.4
Academic Institutions = 10	1,416	0	0	1,416	1,416	1,416	0	0	0	1,416	7,080	00.7
Direct State Lenders = 11	0	0	0	0	0	0	0	0	0	0	0	0
Other Classification = 12	0	0	1,416	0	0	0	0	2,832	0	0	4,248	00.4
Vocational Education = 13	0	2,832	1,416	2,832	0	1,416	0	1,416	1,416	2,832	14,160	01.5
Total	141,600	124,608	45,312	80,712	107,616	138,768	123,192	69,386	53,808	75,048	960,048	100.0

Table A-2

DISTRIBUTION OF BORROWERS FOR NONCERTAINTY LENDERS BASED UPON THE TOTAL UNIVERSE

Lender Type	National ZIP Code Areas											
	0	1	2	3	4	5	6	7	8	9	Total	Percent
Unknown = 0	5	0	643	2	2	1	3	0	0	657	657	00.1
National Banks = 1	49,310	62,370	21,179	30,326	42,915	58,080	56,589	31,440	25,016	34,440	411,665	42.9
State Banks (FDIC) = 2	40,398	36,711	15,717	29,122	49,646	69,849	49,765	24,135	18,235	11,306	344,884	35.9
State Banks (non-FDIC) = 3	497	0	10	46	1	196	105	127	279	679	1,940	00.2
Federal Savings and Loan = 4	5,328	5,164	2,057	8,052	4,434	4,613	6,583	2,806	1,401	7,195	47,633	05.0
State Savings and Loan = 5	9,095	2,085	20	358	2,783	1,619	2,567	3,322	1,074	7,448	30,371	03.2
Federal Credit Unions = 6	4,073	1,675	873	4,645	2,634	786	2,104	2,929	4,056	6,549	30,324	03.2
State Credit Unions = 7	915	135	9	4,289	2,267	2,293	3,250	1,523	1,465	1,084	17,230	01.8
Mutual Savings Banks = 8	28,331	15,897	596	1	157	63	67	0	0	1,089	46,201	04.8
Insurance Companies = 9	785	7	0	364	1,034	365	485	24	0	269	3,333	00.3
Academic Institutions = 10	1,466	454	411	645	2,062	647	410	527	208	828	7,658	00.8
Direct State Lenders = 11	0	0	0	0	0	0	0	0	0	0	0	0
Other Classification = 12	2	365	316	860	9	86	235	2,046	148	183	4,250	00.4
Vocational Education = 13	662	1,579	2,069	2,982	363	355	232	2,169	656	2,542	13,664	01.4
Total	140,867	126,442	43,900	81,692	108,312	138,953	122,445	71,048	52,538	73,613	959,810	100.0

Table A-3

BORROWERS IN REPAYMENT BASED UPON THE TOTAL UNIVERSE

Status	National ZIP Code Areas										
	0	1	2	3	4	5	6	7	8	9	Total
Graduated = G	88,087	75,393	25,249	30,147	46,637	42,193	65,551	38,059	15,794	41,987	467,297
Withdrawn = H	62,458	42,476	19,319	29,425	40,247	36,649	71,604	48,005	18,222	54,787	423,192
Paid in Full = L	10,249	5,674	8,283	8,318	15,005	30,842	80,997	10,310	17,765	32,545	219,988
In Repayment = M	5,820	3,148	17,875	26,276	21,953	61,637	27,501	29,198	37,930	80,885	314,923
Subtotal	169,314	124,891	70,726	94,166	123,842	171,321	245,653	125,572	89,711	210,204	1,425,400
Percent Nondefaults	94.7	78.1	93.0	93.6	96.2	95.8	96.2	85.7	96.3	87.1	91.1
Default = N	8,531	32,982	4,903	5,876	4,198	6,135	7,876	20,288	7,635	28,868	127,292
Default-Death = O	45	97	34	39	62	141	168	38	150	408	1,182
Default-Death = P	113	225	15	31	42	86	53	16	57	120	758
Default-Bankruptcy = Q	108	238	57	102	110	193	141	120	78	241	1,388
Default-Disability = R	3	9	1	3	1	3	5	1	3	11	40
Default-Disability = S	5	19	3	4	2	8	0	3	6	20	70
Subtotal	8,805	33,570	5,013	6,055	4,415	6,566	8,243	20,466	7,929	29,668	130,730
Percent Defaults	4.9	21.0	6.6	6.0	3.4	3.7	3.2	14.0	8.1	12.3	8.4
Errors	603	1,509	273	420	498	863	1,499	416	664	1,468	8,213
Grand Total	178,722	159,970	76,012	100,641	128,755	178,750	255,395	146,454	98,304	241,340	1,564,343

Table A-4

BORROWERS IN REPAYMENT BASED UPON THE UNWEIGHTED SAMPLE

Status	National ZIP Code Areas										
	0	1	2	3	4	5	6	7	8	9	Total
Graduated = G	552	464	141	200	331	268	384	169	96	126	2,731
Withdrawn = H	405	257	128	175	275	254	352	197	101	222	2,366
Paid in Full = L	71	27	40	55	71	189	235	65	84	149	986
In Repayment = M	53	20	75	192	121	352	128	129	170	310	1,550
Subtotal	1,081	768	384	622	798	1,063	1,099	560	451	807	7,633
Percent Nondefaults	73.8	78.2	97.5	94.7	95.8	96.4	96.2	84.8	70.7	86.7	91.5
Default = N	59	195	8	31	29	32	39	95	43	117	648
Default-Death = O	0	1	0	0	1	1	1	0	1	5	10
Default-Death = P	0	7	0	0	0	0	0	0	0	0	7
Default-Bankruptcy = Q	0	1	0	2	2	0	0	2	0	0	7
Default-Disability = R	0	0	0	0	0	0	0	0	0	0	0
Default-Disability = S	0	0	0	0	0	0	0	0	0	0	0
Subtotal	59	204	8	33	32	33	40	97	44	122	672
Percent Defaults	5.1	20.8	2.0	5.0	3.8	3.0	3.5	14.7	8.9	13.1	8.1
Errors	6	10	2	2	3	7	4	3	2	2	41
Grand Total	1,146	982	394	657	833	1,103	1,143	660	497	931	8,346

results. Although the questionable quality of data on defaulter status precluded stratification on that basis, the resulting sample included the desired number of defaulters (which increased later by about 25 percent when the lenders reported their latest loan status).

SURVEY FOLLOW-UP PROCEDURES

RMC recognized that, as in most mail surveys, obtaining an adequate response rate would be a problem, particularly since many defaulters avoided being located by loan collection staff. Therefore, extensive follow-up and address checking procedures were planned and carried out to maximize the survey responses.

The following summary outlines the survey procedures used by RMC Research Corporation for following up the various components of the lender survey conducted on behalf of the Guaranteed Student Loan Program. These are described in chronological order of occurrence.

(1) In January 1974, RMC requested each of the approximately 800 lenders in the sample to verify the loan status and provide the most recent addresses for the sample borrowers from their institutions. All but approximately 20 of these sample lenders eventually provided this information after appropriate reminders and follow-up by RMC.

(2) Immediately after OMB clearance was received in the last week of June, the original mailout to all qualified sample borrowers and lenders was completed using regular first class mail. Questionnaires were sent to all borrowers for which OE or RMC had an address, even if the address was old or incomplete. Postpaid return envelopes were also enclosed to encourage response.

(3) Starting at this point and continuing through successive follow-up activities, detailed records concerning all follow-up and response activities were kept on each sample member.

(4) For several lenders who expressed concern about the authority or necessity for the study, RMC forwarded letters to the Office of Education so that a special letter requesting cooperation could be sent.

(5) A reminder letter was sent to nonrespondent lenders, asking their cooperation in promptly returning the completed questionnaires.

(6) A large number of reminder phone calls was made to nonresponding lenders (particularly the larger lenders), asking them to respond to the survey. In many cases, a duplicate copy of the questionnaire was sent since they had misplaced the original.

(7) Mailgrams were sent to the remaining lender nonrespondents as a final reminder.

CONFIDENTIALITY OF RESPONSES

RMC and OE agreed early in the study to assure survey respondents that their responses would be held confidential. In the words of the questionnaire itself:

> Your answers will be held in full confidence. RMC will not make your questionnaire available to OE and will not report individual responses--it is the sum of all responses which is important to the completion of our study. This sample survey is not part of any financial auditing or claim collection procedure. Your identification will only be utilized internally within RMC to coordinate data collection and define questionnaire follow-up needs.

It was believed that this assurance might help significantly in getting useful responses, particularly about individual borrowers.

Of course, once this was promised, RMC established procedures to be sure it could fulfill that promise. Internal physical security was maintained by establishing special lockable workrooms and file cabinets for the completed questionnaires. Although the data tapes RMC created included respondent names and Social Security numbers for indexing and linking purposes, the final data file provided to OE at the end of the contract replaced that identification data with random code numbers.

A related concern during the study design phase centered around whether the lenders would provide financial and other data on sample borrowers or whether they would claim that the information was confidential. The Office of the Legal Counsel of HEW confirmed that OE had the right to request the data since it was guaranteeing the loans and RMC was acting as an agent of OE. Only a few lenders raised this issue during the actual study. In most cases, a follow-up letter from OE backing up RMC's request was sufficient to obtain a response. Only one lender (a large one in Pennsylvania) insisted on removing the names of the borrowers from the survey forms before

returning them to RMC. While it is possible that some of the lenders that never responded at all had this concern, all the reasons that were given to RMC for nonresponse related to lack of time or staff to do the work.

DATA EDITING AND PROCESSING PROCEDURES

The completed survey questionnaires concerning both lenders and borrowers were carefully controlled and edited by RMC to ensure maximum quality and use of the available data. Receipt control was maintained through reference against a previously prepared control log of all individuals or institutions covered by questionnaires. Manual editing of each survey form included the coding of answers so that keypunching could be done directly from that form. Coding categories were established and used for open-ended questions based on examination of a large number of actual answers.

All answers for all responses were also edited by computer before tabulations or other analyses were prepared. The following paragraphs discuss the objectives and procedures of RMC's editing activities in the context of data quality.

In survey research, there are two levels of data validity one can attempt to achieve: first, to represent the information in the survey instrument accurately in the computer storage medium; second, to evaluate the internal consistency of the survey instrument to identify illogical patterns. The bulk of the editing procedures used in this survey were directed toward the first of these goals.

There are basically three kinds of errors that appear in the first level of data validation: (1) the respondent answered a question absurdly; (2) the person performing manual editing made an incorrect adjustment; and (3) the person (keypuncher) who translated from the survey medium to the input computer medium made an error. RMC's initial editing algorithm was directed primarily to the first and last cases. The algorithm amounted to a field-by-field check of the coded responses against the allowable responses, a display of all errors, and recoding of two kinds of nonresponses. The algorithm can pick up absurd responses and is capable of identifying certain typical keypunch errors, such as "getting a column off" (since eventually a column will almost certainly be out of range). However, it is helpless against certain errors such as punching an incorrect code that is also a valid code.

The operational procedure for each of the questionnaires was: (1) keypunch the questionnaires in batches; (2) edit in batches, merging the edited batch with the previously edited batches; (3) examine the edit output, correct the errors, and resubmit with the next batch; (4) run an SPSS[1] marginal analysis of the data to identify the need for further editing; and (5) run an edit-all on the survey data base, recoding out-of-range answers as invalid responses. (In all cases, the out-of-range condition resulted in less than 0.5 percent of the responses being recoded as invalid for any question.)

The second level of data validation was not attempted in terms of the computer editing effort. The modus operandi in such an effort would be to identify logical relationships among the data that preclude certain response patterns from occurring. When such a pattern occurs, there are several options: (1) choosing an item to control and force the other responses to be consistent; (2) considering all of the answers undependable and therefore invalid; (3) returning to the survey respondent to validate the data; or (4) doing nothing further. In addition, the identification, programming, and resolution of these error types are limited by the resources available to examine them.

As a practical matter, RMC chose option 4. There is clearly no basis for option 1, except in the case of "skip patterns," where a respondent was instructed to skip a question but did not. However, in this case, the proper cross-tabulations will provide the desired marginals for the question that should have been skipped. Option 2 was not used because we felt that the loss of information through recoding would be more harmful than the inconsistencies, which may, in fact, have been more apparent than real. Option 3 was rejected because of the obligation to place a minimal administrative burden on the lenders in the sample. In addition, any attempt to contact the affected borrowers would have caused severe delays in the study. Even though this implied ignoring the consistency of the data as an editing matter, RMC explored this consistency in the analysis, making adjustments wherever necessary.

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1. A computer program package was used called Statistical Package for the Social Sciences (SPSS).

APPENDIX B

ANSWERS TO LENDER SURVEY ABOUT BORROWERS

This appendix presents a direct tabulation of answers provided by lenders in response to survey questions about specified GSLP borrowers in the RMC sample. The exact form of the questions is reproduced along with the number of responses received and the percent distribution, where meaningful. Responses have been weighted to reflect the probabilities used in the sample selection.

PART 2: GSLP LENDER SURVEY
TO BE COMPLETED FOR EACH BORROWER IDENTIFIED ON THE ACCOMPANYING LIST OF GSLP PARTICIPANTS

GSLP Lender ID Number

Social Security Number
(as shown on listing)

Student's Name
(last name first)

1. Please indicate the status of this borrower's loan as of December 31, 1973. (Mark only one)

	Number	Percent
Paid in full by borrower	1,496	32.4
Being repaid on schedule	1,900	41.2
Payment was started, but deferral for later repayment has been authorized	28	0.6
In Arrears:		
Claim filed with guaranteeing agency, awaiting repayment	64	1.4
Claim not yet filed with guaranteeing agency	168	3.6
Repaid by Guaranteeing Agency:		
Due to borrower bankruptcy	18	0.4
Due to borrower death or disability	32	0.7
Due to borrower default	530	11.5
Repaid by Other Party (specify):	26	0.6
*Not Yet Liable for Repayment:		
Still in school or grace period	164	3.5
Deferred from start of repayment	20	0.4
*Other Loan Status:		
Loan never made to this borrower	29	0.6
Loan made but cancelled	45	1.0
Loan status unknown (give reason	96	2.1

*If loan is "Not Yet Liable For Repayment" or falls within "Other Loan Status," do not complete the remainder of this questionnaire.

Missing cases = 286

If any of the following questions do not apply to this borrower, please write "N/A" beside that question.

2. Please indicate the number of GSLP loans that you are aware this borrower holds:

Loans	Number	Percent
0	414	10.9
1	2,243	58.8
2	631	11.5
3	293	7.7
4	154	4.0
5	53	1.4
6	19	.5
7	4	.1
8	1	.0+
9	0	0
10	3	.1

Mean = 1.43 Standard Deviation = 1.11
Missing cases = 1,087 (22.2%)

What is the total dollar amount of these GSLP loans?

Average dollar amount $1,483.11 Standard error = $18.26
Missing cases = 1,253 (25.6%)

3. How many of this borrower's GSLP loans originated at another lending institution and were transferred to you?

Number of these transferred loans serviced by your institution. (If none, write "0"):

Loans	Number	Percent
0	3,551	97
1	93	2.5
2	11	.3
3	1	.05
4	2	.1
5	0	0
6	0	0
7	1	.05

Missing cases = 1,304

Number of these transferred loans serviced by another institution (If none, write "0"):

Loans	Number	Percent
0	3,568	99.7
1	8	.2
2	1	.1

Missing cases = 1,243

4. How many of this borrower's GSLP loans originated at your institution? (If none, write "0" and go to Q. 7)

Loans	Number	Percent
0	388	9.6
1	2,424	59.6
2	689	16.9
3	318	7.8
4	167	4.1
5	53	1.3
6	17	.4
7	5	.1
8	3	.1
9	1	.05

Missing cases = 837

5. Was this borrower already a customer when he was first issued a GSLP loan by your institution?

	Number	Percent
Yes	1,406	49.3
No	1,448	50.7
Cannot Determine	-	-

Missing cases = 2,048

6. Was any other member of the student's family doing business with you regularly at the time when the borrower was first issued a GSLP loan by your institution?

	Number	Percent
Yes	1,521	66.7
No (GO TO Q. 7)	758	33.3
Cannot Determine (GO TO Q. 7)	-	-

Missing cases = 2,653

If YES, what was the nature of that relationship? (mark only one)

	Number	Percent
Through a business	38	2.6
Personal account only	1,244	83.8
Both business and personal account	203	13.7
Cannot determine	-	-

Missing cases = 3,417

7. Does the borrower now have an account with you other than the GSLP loan?

	Number	Percent
Yes	775	27.4
No	2,054	72.6
Don't know	-	-

Missing cases = 2,072

8. Did the borrower finish the program in which he was enrolled in the school he attended with his last (or only) GSLP loan?

	Number	Percent
Yes	1,989	72.2
No	766	27.8
Don't Know	-	-

Missing cases = 2,147

9. What methods were used by lender in attempting to contact the borrower in order to initially establish or negotiate repayment terms? Indicate the number of times each method was used by marking one box on each horizontal line.

	None		Once		2-3 Times		More Than 3 Times	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent
Letters or telegrams to borrower	413	11.7	1,535	43.4	1,023	28.9	568	16.0
Letters or telegrams to school (s)	1,770	80.9	261	11.9	140	6.4	19	0.9
Telephone calls to borrower	1,487	64.0	448	19.3	247	10.6	143	6.1
Communication with borrower's family	1,523	67.3	469	20.7	178	7.9	95	4.2
Outside assistance Federal Govt.	1,904	90.1	170	8.0	29	1.4	10	0.5
State or private agency	1,937	93.0	82	3.9	50	2.4	14	0.7
Other (specify):	1,106	92.0	76	6.4	15	1.2	5	0.4

10. Were repayment terms established or negotiated with this borrower?

	Number	Percent
Yes	3,371	83.3
No (GO TO Q. 11)	676	16.7

If YES:

a. On what date was the modified promissory note signed?

_____, 19__

b. What were the repayment terms?

Monthly payment 37 (average)
Length of repayment period (in months) 48 (average)
Date first payment was due _____, 19__

11. If repayment terms were not negotiated, explain why.

_____

_____

12. Was any of the loan repaid by the borrower?

	Number	Percent
Yes	2,676	74.4
No (GO TO Q. 16)	922	25.6

13. Did the borrower make a lump-sum payment or any pre-payments?

	Number	Percent
Yes	809	24.4
No (GO TO Q. 14)	2,499	75.6

If YES, indicate date(s) and amount lump-sum payment or the pre-payment(s)

Date(s)	$ Amount(s)
_____	705 (average)
_____	36[illegible] (average)

14. How many monthly payments had the borrower made as of December 31, 1973?

_____ Monthly Payments

15. When was the last monthly payment made (up to December 31, 1973)?

_____, 19__

16. Has there been any modification or extension of repayment terms for this borrower's GSLP loan? (This question refers to such practices as refinancing of loans; it does not refer to authorized deferrals.)

	Number	Percent
Yes	173	4.6
No	3,631	95.4

17a. Was this student ever granted a deferral from repayment?

	Number	Percent
Yes	280	7.4
No (GO TO Q. 18)	3,513	92.6

17b. If YES, when did this deferral begin?

(Month) _____ _____19__

When did (or will) this deferral end?

(Month) _____19__

17c. What was the major reason for the deferral? (Mark only one)

	Number	Percent
Borrower went on to further schooling or training	112	38.3
Borrower entered public service (Peace Corps or VISTA)	13	4.5
Borrower entered military service	86	29.4
Borrower had illness or temporary disability	6	2.2
Borrower had financial difficulties	57	19.4
Other (please specify):	18	6.3
Reason unknown or unrecorded	-	-

18. Has the borrower ever been late in his repayments?

	Number	Percent
Yes	1,226	34.5
No (GO TO Q. 19)	2,325	65.5

If YES, how many late payments has he made?

_____ Late Payments

19. Has borrower defaulted on repayment?

	Number	Percent
Yes	666	17.9
No (GO TO Q. 21)	3,053	82.1

20. Did the lender contact or attempt to contact the borrower regarding the default?

	Number	Percent
Yes	668	65.8
No (GO TO Q. 21)	267	26.7
Information Not Available (GO TO Q. 21)	65	6.5

If YES, what methods were used to contact or attempt to contact the borrower regarding the default? (Indicate the number of times each method was used by marking one box on each horizontal line.)

	None		Once		2-3 Times		More Than 3 Times	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent
Letters or telegrams to borrower	44	6.2	62	8.5	189	26.2	425	59.1
Letters or telegrams to school(s)	292	60.5	124	25.6	51	10.5	17	3.4
Telephone calls to borrower	146	25.0	86	14.7	145	24.8	207	35.5
Communication with borrower's family	171	33.6	121	23.8	104	20.5	112	22.1
Outside assistance Federal Govt.	211	41.2	237	46.4	38	7.5	25	4.9
State or private agency	300	75.9	43	10.9	38	9.5	15	3.7
Other (specify):	155	75.5	34	16.7	6	3.1	10	4.6

21. If borrower has ever been late in making payments, or if he has fallen behind or defaulted, is there anything in your experience with this borrower that would explain the default (or falling behind)?

	Number	Percent
Yes	324	19.8
No	1,312	80.2
Not Applicable	-	-

If YES, please explain:

_____

_____

PLEASE RETURN THIS FORM DIRECTLY TO THE SURVEY CONTRACTOR:
RMC RESEARCH CORPORATION, 7910 WOODMONT AVENUE, BETHESDA, MARYLAND 20014

APPENDIX C

ANSWERS TO LENDER SURVEY ABOUT GSLP

This appendix presents a tabulation of answers provided by lenders in response to survey questions. The exact form of each question is presented along with the number of responses represented or the mean value of the numerical answers. The data shown have been inflated using sampling probabilities and therefore represent estimates for the universe of GSLP lenders having borrowers in repayment. No nonresponse or other adjustments have been made on the data presented in this appendix.

OMB No. 51-S 74017
Exp. Date 8/31/74
RMC-1

Dear Sir:

Under contract from the U.S. Office of Education, RMC Research is conducting a survey of a sample of lending institutions participating in the Guaranteed Student Loan Program (GSLP). In April your institution received a letter from the Office of Education describing this survey and requesting current addresses for several GSLP borrowers from your institution as well as your cooperation in completing a questionnaire covering GSLP activities in your institution. As that letter described, the purpose of this survey is to obtain lender input to the policy planning process, to obtain data needed by OE to better forecast cash flow, and to further investigate borrower defaults. Your institution is one of 800 lenders selected at random for this survey.

We would therefore appreciate your completing the attached questionnaire as soon as possible and returning it to RMC Research in the envelope provided. The questionnaire should be completed by the Senior Loan Officer (or other senior officer) having responsibility for the Guaranteed Student Loan Program, although we recognize that the help of other staff may be needed for certain data. This questionnaire is addressed to the selected lenders identified as holders of existing GSLP loans. If this organization is part of a larger organization (e.g., a branch bank), the answers to some questions may require communication with other organizational units and we would appreciate your cooperation in this respect. Part I of the questionnaire concerns overall lender experience and policies, while Part II requests supplemental data on the borrowers in the sample from your institution. Although it was necessary to cover several areas with the attached questions, we hope your organization will provide the most complete data your files permit so as to facilitate the development of improved program operations and procedures.

Your answers will be held in full confidence. RMC will not make your questionnaire available to OE and will not report individual responses--it is the sum of all responses which is important to the completion of our study. This sample survey is not part of any financial auditing or claim collection procedures. Your identification will only be utilized internally within RMC to coordinate data collection and define questionnaire follow-up needs. It is also important that you answer the questions directly rather than just repeating what you think we want to hear.

Since your help is indispensable to the successful conduct of this study, we would appreciate your prompt attention in completing this questionnaire. If necessary, further information can be obtained from Dr. Kenneth Gordon, at (301) 656-2700.

RMC Research Corporation

7910 Woodmont Avenue Bethesda, Maryland 20014 • Telephone: (301) 656-2700

Please indicate person to be contacted if some responses need further elaboration.

Name: _____

Telephone No.: _____

Lending Institution: _____

PART I: AGGREGATE LENDER EXPERIENCES AND POLICIES

Section A. AGGREGATED STATISTICAL DATA

The questions of this section describe several aspects of your institution's operations that are needed to supplement existing data so that the Guaranteed Student Loan Program (GSLP) can be compared across the various types of lenders. While we recognize some lenders' records may be organized in slightly different ways, we would appreciate your best efforts to provide as much of the requested data as possible. If barriers exist, please provide the closest data possible and explain differences in the margin.

Please answer the following questions for the lending unit (e.g., branch, headquarters, etc.) which deals directly with the federal, state, or private guarantee agency and is identified by the lender identification number to which this questionnaire was addressed.

Specify the type of lending unit indicated by this lender identification number:

#	%	
1909	28.4	Headquarters with decentralized units
356	5.3	Branch of a larger lending organization
3807	56.7	Independent, unaffiliated organization
644	9.6	Other (specify): _____

Note that throughout the questionnaire we are requesting that your responses include data on the United Student Aid Fund (U.S.A.F.), if applicable.

If any of the questions are not applicable, indicate "N/A" beside the questions.

1. Please indicate your institution's total assets at the end of calendar year 1973, the total dollar amount of your loan portfolio, and the amount you held in GSLP loans at that time:

	Principal Only
Total Assets	$ 1,808,611
Total Dollar Amount of Loans	$ 1,062,812
Dollar Amount of GSLP Loans	$ 702,118

(Dollars Only)

2. Indicate the number of GSLP borrowers and loans, and the total dollar disbursements made for GSLP loans during the last three calendar years:

	Number of Individual Borrowers	Total Number of Loans (if different)	Total Dollar Disbursements	No Loans Granted
1971	117	219	183,104	1.2
1972	122	203	190,337	1.6
1973	131	231	204,484	1.1

(Dollars Only)

Numbers appearing in parentheses are keypunch instructions and should be ignored by respondent.

3. Please supply the following data for all GSLP loans outstanding as of December 31, 1973. (If none in a category, write "0.")

Status of Loan (as of Dec. 31, 1973)	Loans Guaranteed by a State or Private Agency			Loans Insured by the Federal Government		
	Number of Students	Number of Loans	Total Original Amount Disbursed (dollars only)	Number of Students	Number of Loans	Total Original Amount Disbursed (dollars only)
Not yet liable for repayment (in school, in grace period, in authorized deferral period, etc.)	94	161	221,542	137	530	288,733
	(9-14)	(15-20)	(21-28)	(29-34)	(35-40)	(41-48)
Being repaid by borrower	54	151	184,815	68	158	186,111
In arrears (have not made initial or later payment as obligated)	5.2	7.2	22,668	14.5	23.9	25,312
Currently in default (filed for claim to State or Private Agency or Federal Government, but not yet repaid)	.9	1.4	7,721	5.0	11.2	9,259

Numbers appearing in parentheses are keypunch instructions and should be ignored by respondent.

4. If your records do not show the detail required in Question 3, could you provide the following aggregated figures for GSLP loans you held at the end of 1973?

Number of students: 3,900
Number of loans: 6,500

5. As of December 31, 1973, what was the total outstanding amount of unpaid GSLP loans? (Dollars only. If none in a category, write "0.")

	State or Private Guaranteed Loans	Federally Insured Loans
Principal (if available)	$4,596,900	
Interest (if available)	$ 8,369	
Total	$	$36,348

Section B. DEFAULT EXPERIENCE

We would like to ask you about your experience with borrowers who defaulted on their Guaranteed Student Loans in calendar year 1973.

Please indicate here if you had any defaults on GSLP loans during calendar year 1973:

#	%		
2755	41.9	Yes	(If your answer is "Yes," proceed to Question 6)
3804	57.9	No	(If your answer is "No," do not complete this section. Please skip to Section C, Question 9.)

We request that your responses include data on the United Student Aid Fund (U.S.A.F.), if applicable.

If any of the questions are not applicable, indicate "N/A" beside the questions.

Numbers appearing in parentheses are keypunch instructions and should be ignored by respondent.

6. For calendar year 1973, please give aggregate figures on all the GSLP loans on which you filed a claim for repayment from a guarantee agency because of borrower default, whether repaid in 1973 or not. (If none, in a category, write "0.")

	Number of Borrowers Defaulting	Total Dollar Amount
Guarantor was a State or Private Agency	19.136	$_____
Guarantor was the Federal Government	17.9	$_____ (Dollars Only)

7. If you had defaulted GSLP loans against which you filed claims during 1973, how long did you usually have to wait between making the claim and actually receiving payment from the guarantee agency? We would like to know the average time you had to wait, and about how big the range is around this average.

For Loans Guaranteed by a State or Private Agency:

The average waiting period is 8.490 (21-22) weeks,

and usually falls between 6.086 (23-24) and 9.645 (25-26) weeks.

For Loans Insured by the Federal Government:

The average waiting period is 14.377 (27-28) weeks,

and usually falls between 12.083 and 17.481 weeks.

8. Of the GSLP default claims you filed during 1973, about what percentage were returned to you with requests for further documentation? (If none in a category, write "0.")

Of those claims filed with a State or Private Guarantee Agency 2.06 (33-35)% were returned for further documentation.

Of those claims filed with the U.S. Office of Education 7.138 (36-38)% were returned for further documentation.

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Numbers in parentheses are keypunch instructions and should be ignored by respondent.

Section C. ADMINISTRATIVE PROCEDURES AND BURDEN

To help us investigate the administrative burden which the Guaranteed Student Loan Program places on lending institutions, please answer the following questions.

We request that your responses include data on the United Student Aid Fund (U.S.A.F.), if applicable.

If any questions are not applicable, indicate "N/A" beside the questions.

9. What kinds of appraisals do you make (financial or otherwise) of an applicant for a GSLP loan when deciding to approve or reject the loan? (Mark one box on each horizontal line.)

	Always -1	Frequently -2	Sometimes -3	Rarely or Never -4
Check eligibility against GSLP regulations	6030 92.1%	90 1.4%	306 4.7%	120 1.8%
Check personal or family credit experience	3526 52.5%	1321 19.7%	1016 15.1%	856 12.7%
Check student's past school record	1094 16.6%	760 11.5%	2078 31.6%	2654 40.3%
Determine whether applicant or his family is current customer	5329 19.3%	549 8.2%	377 5.6%	462 6.9%
Assess the program or school the applicant is pursuing (academic vs vocational)	1220 18.4%	672 10.1%	1427 21.6%	3304 49.9%
Compare to your previous history with similar applicants	668 10.1%	556 8.4%	1668 25.3%	3716 56.2%
Other factors (please specify): _____	370 79.7%	68 14.7%	11 2.5%	15 3.2%

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Numbers in parentheses are keypunch instructions and should be ignored by respondent.

10. If the GSLP Program were to be operated according to your views of what constitutes a sound educational loan program, how important would you consider the following factors in approving GSLP loans? (Mark one box on each horizontal line.)

	Very Important -1	Somewhat Important -2	Not Important -3
Applicant should be attending a degree-granting institution (not a vocational or specialized training institute)..	454 6.7%	1973 28.9%	4396 64.4%
Applicant should not be a first-year student	1211 17.8%	1246 18.3%	4350 63.9%
Applicant or his family should be a customer of the lending institution ...	4793 70.2%	1566 22.9%	467 6.8%
Applicant should not receive more for a subsidized loan than the amount of financial need certified by his school	4769 70.0%	1688 24.8%	358 5.2%
Applicant should be attending particular schools in your local operating area ..	312 4.6%	1088 15.9%	5446 79.5%
Applicant should show a strong academic record	983 14.4%	4395 64.6%	1424 20.9%
Applicant's financial situation should indicate low probability of default ...	3220 47.0%	2350 34.3%	1285 18.7%
Applicant should not have too many other debts	5320 77.5%	1364 19.9%	180 2.6%
Minority groups should be favored over others	15 0.2%	559 8.2%	6252 91.6%
Particular age groups should be excluded.....	114 1.7%	428 6.3%	6301 92.1%
Other (specify): _____	160 81.9%	32 16.5%	3 1.6%

11. When you find it difficult to locate a borrower of a GSLP loan whose loan(s) has come due, how many times would you estimate that you use the following methods to try to contact him before filing a default claim? (Mark one box on each horizontal line.)

	Once		Two or Three Times		More Than Three Times		Not at All	
	#	%	#	%	#	%	#	%
Telephone calls.....	518-	8.3	2071-	33.3	3574-	57.6	47-	0.7
Letters, telegrams, or mailgrams.....	272-	4.3	2778-	44.3	3216-	51.3	4-	0.1
Private skip-trace service or credit bureau	2300-	38.7	258-	4.3	222-	3.7	3165-	53.2
U.S. Office of Education Pre-Claims Assistance Program (mailgram service)	2036-	35.5	1146-	20.0	311-	5.4	2236-	39.0
Communication with borrower's relatives	1455-	23.7	2228-	36.3	2415-	39.4	38-	0.6
Communication with borrower's school(s)	2688-	45.9	1581-	27.0	532-	9.1	1059-	18.1
Other (specify): _____	178-	46.1	134-	34.6	63-	16.3		

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

12. We would like to have your best estimate of how the administrative costs of GSLP loans compare to your experience with alternate loans to which you might commit your funds (such as consumer installment loans or other short-term uses), on the basis of the cost per loan. (Mark one box on each horizontal line.)

For the Following Elements:	The Cost of a GSLP Loan is:				
	Very Much Lower -1	Somewhat Lower -2	About the Same -3	Somewhat Higher -4	Very Much Higher -5
Placing (acquiring the loan)	221-3.5%	728-11.4%	2837-44.5%	1491-23.4%	1105-17.3%
Establishing repayment terms	176-27%	174-2.7%	1609-25.1%	3018-47.1%	1435-22.4%
Normal processing of loans during repayment	2 0.0%	55 0.9%	3470 54.1%	2138 33.3%	746 11.6%
Maintenance of Special Records (meeting reporting requirements, interest billing, etc.)	31 0.5%	120 1.9%	946 14.7%	1811 28.2%	3516 54.7%
Searching for defaulters	270-4.3%	443-7.1%	2911-46.9%	1375-22.2%	1201-19.4%
Other important cost elements (please specify): a.	41 5.8%		35 4.9%	121 17.1%	512 72.2%
b.	11-4.4%	1-0.6%	14-5.4%	23-9.2%	203-80.4%
c.				3-15.7%	16-84.3%

13. Of the total costs you incur for administering GSLP loans, please estimate what percentage (on the average) of these costs can be attributed to the following factors. (If none in a category, write "0.")

Placing (acquiring the loan) ..... 16.9 %

Establishing repayment terms ..... 16.7 %

Normal processing of loans during repayment ..... 19.0 %

Maintenance of Special Records (meeting reporting requirements, interest billing, etc.)..... 29.4 %

Searching for defaulters ..... 9.8 %

Establishing claims on defaults ..... 6.5 %

Other important cost elements (please specify):

_____ ..... 11.3 %

_____ ..... 2.4 %

_____ ..... 1.9 %

Total = 100%

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

14. Could you give your best estimate of how much time your personnel spent during an average month in calendar year 1973 handling all aspects of GSLP loans? Please estimate total man-hours per month for the personnel types below. (If none in a category, write "0.")

	Total Man-hours Per Month
Officers	23.4
Supervisors	25.0
Tellers, clerks, and other support personnel	

15. Does your institution have financial ceilings on your total participation in the GSLP program? (Mark "Yes" or "No" for each.)

Yes	No		Amount (if applicable)
980 (18.3%)	4368 (81.7%)	Dollar limit	$ 501,747
241 (5.4%)	4217 (94.6%)	% of loan portfolio	13.3 %
1180 (99.7%)	3 (0.3%)	Other limit (describe): 390 - 100%	111,504

16. In normal situations, how frequently do you use the following procedures to establish repayment terms for borrowers in the GSLP program? This question does not refer to procedures used for locating and collecting from defaulters once repayment terms have been established. (Mark one box on each horizontal line.)

	Always	Frequently	Sometimes	Never
Face-to-face meeting with borrower	2209-33.4%	2739-41.4%	1623-24.5%	49- .7%
Telephone contact with borrower	546- 8.4%	2889-44.6%	2598-40.1%	449- 6.9%
Mail correspondence with borrower	2007-30.7%	2668-40.9%	1619-24.8%	236- 3.6%
Working through a state guarantee agency	319- 5.2%	106- 1.7%	1048-17.2%	4636-75.9%
Working through another third party (specify): _____	373- 6.1%	366- 6.0%	2751-44.8%	2654-43.2%
Other (specify): _____	62-36.3%	52-30.4%	48-28.4%	8- 4.9%

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

17. Please indicate which of the following best describes your institution. (Mark only one.)

#	%	
259-	3.8	We have a specific department that handles nothing but GSLP loans
4714-	68.8	Within one of our departments we have personnel who are assigned to GSLP loans
1879-	27.4	Other (please explain):

_____

18. How would you rate the profitability of GSLP loans compared to your overall installment loan portfolio? If you do not have an installment loan portfolio, rate the profitability of GSLP loans compared to other uses to which you put your money. (Mark only one.)

#	%	
2709-	39.7	Very much lower
2619-	38.3	Somewhat lower
1206-	17.7	About the same (Skip to Q. 20)
119-	1.7	Somewhat higher (Skip to Q. 20)
11-	0.2	Very much higher (Skip to Q. 20)
166-	2.4	Not applicable (Skip to Q. 20)

19. If you stated in Question 18 that in your experience the profitability of GSLP loans is "very much lower" or "somewhat lower" compared to your overall installment loan portfolio, how would you rate the importance of the following factors in accounting for this? (Mark one box on each horizontal line.)

	Very Important #	Very Important %	Somewhat Important #	Somewhat Important %	Not Important #	Not Important %
Lower interest rate (including special allowances)	4374-	83.4	839-	16.0	29-	0.5
Higher acquisition or placement costs	1046-	20.4	2125-	41.4	1968-	38.3
Costs of locating borrower at repayment time	1623-	30.9	2088-	39.8	1538-	29.3
Delays when filing claim for default	1655-	34.8	1404-	29.5	1701-	35.7
Excessive record-keeping and reporting to guarantee agency	3130-	59.1	1932-	36.5	233-	4.4
Other (specify):						
_____	271-	79.7	69-	20.3	--	--
_____	49-	48.6	52-	51.4	--	--

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

Section D. LENDER PARTICIPATION IN THE GUARANTEED STUDENT LOAN PROGRAM

The following questions explore the influence of various factors on the actual potential participation of a lending institution in the GSLP program.

We request that your responses include data on the United Student Aid Fund (U.S.A.F.), if applicable.

If any of the questions are not applicable, indicate "N/A" beside the questions.

20. Of the various reasons that lead your institution to continue participation in the GSLP program, please indicate the importance your institution attaches to the following commonly-mentioned reasons. (Mark one box on each horizontal line.)

	Very Important		Somewhat Important		Not Important	
	#	%	#	%	#	%
(1) The profitability of the loans.....	641	10.2	2464	39.0	3207	50.8
(2) A service to family members of existing customers.....	5626	87.1	653	10.1	181	2.8
(3) As access to potential future customers.....	2167	33.9	3198	50.0	1030	16.1
(4) Service to clients of an affiliated educational institution.....	312	5.0	805	13.0	5071	81.9
(5) General assistance to the community in assisting educational attendance and financing.....	3147	48.9	2204	34.2	1089	16.9
(6) Federal government request or encouragement for participation.....	164	2.7	2139	35.3	3760	62.0
(7) Other (specify):						
_____	128	15.2	714	84.8	--	--
_____	52	86.5	8	13.5	--	--

21. Of the reasons mentioned in Question 20, which are the two most important reasons for the participation of your institution?

a. 2-68%, 4-15%, 5-8.5%, 3-3.8%, 1-3%

b. 5-47%, 3-24%, 7-13%, 2-10%, 1-3.5%

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

22a. Are there conditions (such as changes in operating procedures of the GSLP program, the money market, interest rates for GSLP loans, terms of repayment, etc.) which would encourage your institution to increase the level of its current financial participation in the GSLP program substantially?

1880-29.6% Yes

4470-70.4% No (Go to Q. 23)

22b. If "Yes," please describe: _____

_____

_____

23. How would you characterize your institution's short-range expectations with regard to your level of participation in the GSLP program? (Mark only one.)

#	%	
330	4.9	We plan to cease new lending under the GSLP program
361	5.3	We plan to reduce lending under this program by 21% or more
69	1.0	We plan to reduce lending under this program by 10% to 20%
2777	41.0	We plan to continue our level of participation at about its current level (plus or minus 10%) (Go to Q. 26a)
35	0.5	We plan to increase lending under this program by 10% to 20%
131	1.9	We plan to increase lending under this program by 21% or more
2523	37.3	Our participation will depend on customer demand (Go to Q. 26a)
411	6.1	Other (explain): _____

24. If you indicated in Question 23 that you are expecting an increase or a decrease of 10% or more in your participation in the GSLP program, would that be in: (Mark only one.)

529	44.9	Total dollars committed to GSLP loans
52	4.4	Dollars for GSLP loans as percentage of your installment loan portfolio
521	44.3	Both total dollars and percentage of installment loan portfolio
76	6.5	Other (specify): _____

_____

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

25. If you indicated in Question 23 that you are expecting an increase or a decrease of 10% or more in your participation in the GSLP program, could you explain briefly the reasons for the change?

_____

_____

_____

26a. Criticisms of the GSLP program have suggested several aspects of it that might act to discourage a lender from continuing or increasing participation. Can you give your institution's evaluations of the following factors that might discourage its participation? (Mark one box on each horizontal line.)

	Very Important		Somewhat Important		Not Important	
	#	%	#	%	#	%
(1) Low interest rates compared to competing use of funds	3725	56.0	2596	39.0	336	5.0
(2) Low total revenue	2668	40.9	2479	38.0	1369	21.0
(3) High default or claim rate	1780	30.7	2425	41.9	1588	27.4
(4) Long repayment period	3318	49.9	1795	27.0	1537	23.1
(5) High cost of processing payments	1551	23.5	2380	36.0	2673	40.5
(6) High total cost of GSLP loans	2619	40.3	2016	31.1	1857	28.6
(7) Difficulty locating the borrowers at repayment time	1866	28.4	2521	38.3	2195	33.3
(8) Government delays in paying claims against defaulters	2065	31.9	1699	26.2	2717	41.9
(9) Too much unnecessary paperwork	3835	57.9	2374	35.9	413	6.2
(10) Other programs for student assistance are more efficient	520	8.5	865	14.2	4712	77.3
(11) Other (please specify): _____	241	73.2	20	6.0	69	20.8

_____

26b. Of the factors mentioned above, what are the two most important disincentives to your institution, in order of importance?

(a) 1-40%, 9-22%, 4-10%, 246-7.8%,

(b) 9-19%, 4-17.8%, 1-16.5%, 2-11%,

Numbers in parentheses are keypunch instructions and should be ignored by respondent.

27a. Does your institution have an association with a particular educational institution such that many or all of the school's students receive their GSLP loans through your institution?

184- 2.7% Yes
6560-97.3% No (End of Questionaire)

27b. If "Yes," indicate the nature of that relationship: (Mark all that apply)

100 School conducts a large amount of its banking activities with this lender.

12 Both lender and school are affiliates of a common parent company.

115 No common ownership exists, but school regularly refers students to this lender.

2 No common ownership exists, and no regular referral relationship exists, but this lender restricts loans to or gives systematic preference to students of specific schools.

33 Other (specify): _____

27c. About what percentage of your GSLP loans made during 1973 went to this school(s)?

53.8 % (35-37)

166 Not applicable (explain): _____

22 _____

THANK YOU.
WE APPRECIATE YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE.

APPENDIX D

LIST OF SAMPLE LENDERS

APPENDIX D

LIST OF SAMPLE LENDERS

This appendix presents a list of the 784 GSLP lenders that were selected by the sampling process described earlier. The OE GSLP lender file was the source of the lender universe and accompanying data. The lenders on this list were the group to which RMC mailed survey questionnaires and follow-up requests.

The list presented below is ordered by lender type and within type by ZIP Code. The column headings have the following meaning:

Type: Lender type as assigned and used by OE

1. National Banks
2. State Banks (FDIC)
3. State Banks (Non-FDIC)
4. Federal Savings and Loan
5. State Savings and Loan
6. Federal Credit Union
7. State Credit Union
8. Mutual Savings Banks
9. Insurance Companies
10. Academic Institutions--Higher Education
11. Direct State Lenders
12. Other
13. Academic Institutions--Vocational Education

Number: Lender (or vendor) identification number assigned by OE.

Name and Address: As on GSLP master file: same as used by OE for regular mailing to lenders.

Loans: Number of borrowers who had become liable for repayment of GSLP loans (including paid in full). This was calculated by RMC from the loan status codes on the GSLP master file in January 1974.

TYPE	NUMBER	NAME	ADDRESS			LOANS
1	000CC0000820233	CHASE MANHATTAN BANK	GENERAL POST OFFICE BOX 1990	SAN JUAN	PR	936	655
1	000000000805322	NORTHAMPTON NATL BK	130 MAIN STREET	NORTHAMPTON	MA	1060	137
1	000000000805237	FIRST NATIONAL BANK OF FRANKLIN CTY	1 FEDERAL STREET	GREENFIELD	MA	1301	114
1	000000000805378	WORCESTER CO NATL BK	446 MAIN STREET NOTE DEPT	WORCESTER	MA	1608	660
1	00C0C0000805271	HAVERHILL NATIONAL BK		HAVERHILL	MA	1830	95
1	000000000805243	FIRST NATIONAL BANK OF BOSTON	POST OFFICE BOX 1937	BOSTON	MA	2105	1695
1	000CC0000805314	NATIONAL SHAWMUT BANK OF BOSTON	542 COMMONWEALTH AVENUE	BOSTON	MA	2109	2244
1	000CC0000813690	MIDDLESEX CO NATL BK	1385 CAMBRIDGE ST INMAN	CAMBRIDGE	MA	2138	3
1	000CC0000813757	PLYMOUTH-HOME NATL BK	58 MAIN ST	PLYMOUTH	MA	2360	27
1	000000000805249	FIRST NATIONAL BANK OF NEW BEDFORD	545 PLEASANT STREET	NEW BEDFORD	MA	2740	467
1	000000000810236	NEWPORT NATIONAL BANK	8 WASHINGTON SQUARE	NEWPORT	RI	2840	326
1	00C0C0000810241	RHODE ISLAND HOSP TRUST NATIONAL BK	P O BOX 249	PROVIDENCE	RI	2901	1775
1	000CC0000810235	INDUSTRIAL NATL BK INSTAL LOAN DEPT	111 WESTMINISTER STREET	PROVIDENCE	RI	2903	4545
1	000000000813743	ASHUELOT NATL BK		KEENE	NH	3431	55
1	000000000813748	GRANITE STATE NATIONAL BANK	3 ELM ST	SOMERSWORTH	NH	3878	11
1	000CC0000805722	MAINE NATL BK	P O BOX 1339	PORTLAND	ME	4104	1224
1	000000000805740	MERCHANTS NATIONAL BANK	25 BROAD ST P O BOX 925	BANGOR	ME	4401	241
1	00CCC0000811414	BRADFORD NATL BK	BOX 385	BRADFORD	VT	5033	90
1	000CC0000811412	MERCHANTS NAT BK	105 N MAIN ST P O BOX 477	BARRE	VT	5641	93
1	00C0C0000301970	CANAAN NATIONAL BANK	MAIN STREET BOX 757	CANAAN	CT	6018	73
1	000CC0000807381	BANK OF NEW HAMPSHIRE NATL ASSN	PO BOX 1226 STUDENT LOAN SER CTR	HARTFORD	CT	6101	279
1	000000000802030	CONNECTICUT BANK TRUST COMPANY	1 CONSTITUTION PLAZA	HARTFORD	CT	6115	4374
1	00CCC0000802075	HARTFORD NATIONAL BANK TRUST CO	150 WINDSOR STREET	HARTFORD	CT	6120	1534
1	000CC0000802077	HARTFORD NATL BK TR CO	250 STATE STREET	NEW LONDON	CT	6320	546
1	000000000802064	FIRST NEW HAVEN NATL BANK	ONE CHURCH ST	NEW HAVEN	CT	6502	1003
1	000000000802141	SECOND NATIONAL BK OF NEW HAVEN	135 CHURCH ST	NEW HAVEN	CT	6516	1501
1	000CC0000802031	CONNECTICUT NATIONAL BANK	888 MAIN STREET	BRIDGEPORT	CT	6602	3014
1	000000000807582	MID-ATLANTIC BANK	2 BROAD STREET	BLOOMFIELD	NJ	7003	1832
1	000000000807504	FIRST NATL BK TRUST CO OF KEARNY	582 KEARNY AVENUE	KEARNY	NJ	7032	93
1	000000000807510	FIRST NATL STATE BK OF NEW JERSEY	500 BROAD STREET	NEWARK	NJ	7102	1079
1	000CC0000807488	FIRST JERSEY NATIONAL BANK	870 BERGEN AVENUE	JERSEY CITY	NJ	7306	1711
1	000CC0000807484	FIRST NATL IRON BK	14-16 PARK PLACE	BUTLER	NJ	7405	61
1	000000000813830	FIRST NATIONAL BANK OF NEW JERSEY	515 UNION BLVD	TOTOWA	NJ	7512	1331
1	000CC0000807432	MIDLANTIC NATIONAL BANK/ CITIZENS	1 ENGLE ST	ENGLEWOOD	NJ	7631	455
1	00CCC0000807575	MONMOUTH COUNTY NATIONAL BANK	303 BROAD STREET	RED BANK	NJ	7701	1072
1	000CC0000807552	UNITED COUNTIES TRUST COMPANY	HIGHWAY 36	PORT MONMOUTH	NJ	7758	613
1	000CC0000807632	SOMERSET HILLS AND COUNTY NATL BANK	47 MINE BROOK ROAD	BERNARDSVILLE	NJ	7924	283
1	000000000807653	AMERICAN NATL BK-TRUST-N J	225 SOUTH STREET	MORRISTOWN	NJ	7960	1393
1	000000000807505	NAT BK & TR CO OF GLOUCESTER COUNTY	BOX 483	GLASSBORO	NJ	8028	619
1	000000000807436	CITY NATL BANK AND TRUST CO	BROADWAY AT MARKET STREET	SALEM	NJ	8079	104
1	000000000815811	PEOPLES NATL BANK OF NEW JERSEY	P O BOX 300	WESTMONT	NJ	8108	597
1	00CC0000807662	PEOPLES NATIONAL BANK OF NJ	532 534 LANDIS AVE	VINELAND	NJ	8360	69
1	000CC0000807419	BROAD STREET NATL BANK	200 EAST STATE STREET	TRENTON	NJ	8609	207
1	000000000807507	FIRST CHARTER NATL BK	710 TURNPIKE ROAD	E BRUNSWICK	NJ	8816	615
1	000000000807606	PERTH AMBOY NATIONAL BANK	313 STATE STREET	PERTH AMBOY	NJ	8861	792
1	000CC0000807929	FIRST NATIONAL CITY BANK	810 7TH AVE	NEW YORK	NY	10019	3525
1	000CC0000824458	BARCLAYS BANK OF NEW YORK	300 PARK AVE	NEW YORK	NY	10022	390
1	00CCC0000808050	NATIONAL BANK OF NORTH AMERICA	60 HEMPSTEAD AVE	W HEMPSTEAD	NY	11552	310
1	00000000817950	SECURITY NATL BK OF L I	BOX 603	MELVILLE	NY	11746	375
1	000000000808040	MARINE MIDLAND NATL BK SOUTHEASTERN	347 MAIN STREET	POUGHKEEPSIE	NY	12602	136
1	000000000807925	FIRST NATIONAL BANK OF MORRIS	PO BOX 93	MORRIS	NY	13808	9

TYPE	NUMBER	NAME	ADDRESS			LOANS
1	0000CCC000813031	MELLON BANK	22ND ST NEWELL AVE	ALIQUIPPA	PA 15001	224
1	0000CC0000809725	MELLON BANK	MAIN MCCLURE STREETS	BURGETTSTOWN	PA 15021	133
1	0000CCC000809741	MELLON BANK	560 DONNER AVENUE	MONESSEN	PA 15062	130
1	0000000000810189	WESTERN PENN NATL BK	2412 FERGUSON RD	ALLISON PARK	PA 15101	20
1	0000000000810221	WESTERN PENNSYLVANIA NATIONAL BANK	4917 HOMEVILLE ROAD	WEST MIFFLIN	PA 15122	28
1	0000CCC000809754	MELLON BANK	PENN SHAW AVES	TURTLE CREEK	PA 15145	195
1	0000000000813026	MELLON BANK	540 E OHIO STREET	PITTSBURGH	PA 15212	78
1	0000000000813017	MELLON BANK	SEVENTH AVE GRANT ST	PITTSBURGH	PA 15219	97
1	0000CC0000810158	UNION NATIONAL BANK OF PITTSBURGH	670 WASHINGTON RD-MT LEBANON OFF	PITTSBURGH	PA 15228	105
1	0000000000809721	PITTSBURGH NATIONAL BANK	PO BOX 340758P	PITTSBURGH	PA 15230	4302
1	0000CC0000810148	UNION NATL BK - PITTSBURGH	POST OFFICE BOX 837	PITTSBURGH	PA 15230	385
1	0000CC0000813812	EQUIBANK N A	POST OFFICE BOX 3390	PITTSBURGH	PA 15230	3419
1	0000CC0000813080	PITTSBURGH NATL BK	4022 FIFTH AVE	PITTSBURGH	PA 15236	677
1	0000CC0000810169	UNION NATL BK OF PITTSBURGH	301 OAK SPRING RD	WASHINGTON	PA 15301	72
1	0000000000809610	GALLATIN NATIONAL BANK	2 W MAIN ST	UNIONTOWN	PA 15401	1343
1	0000CC0000810024	FIRST NATIONAL BANK OF SOMERSET CTY	538 MAIN STREET PO BOX 98	BERLIN	PA 15530	51
1	0000CC0000809761	MELLON BANK	NORTH MAIN PITTSBURGH	GREENSBURG	PA 15601	249
1	0000000000809892	UNION NATL BK -PITTSBURGH	100 GRANT AVENUE	VANDERGRIFT	PA 15690	113
1	0000CC0000810173	UNITED STATES NATL BK	216 FRANKLIN ST	JOHNSTOWN	PA 15901	459
1	0000CC0000809518	NATIONAL BANK - COMMONWEALTH	SOUTH FORK OFFICE	SOUTH FORK	PA 15956	98
1	0000CC0000809713	MARS NATIONAL BANK THE	POST OFFICE BOX 306	MARS	PA 16046	149
1	0000C0C000809566	FIRST NATIONAL BANK OF LAWRENCE CTY	108 SOUTH MARKET STREET	NEW WILMINGTN	PA 16142	52
1	0000000000810013	FIRST NATIONAL BANK		FRYBURG	PA 16326	42
1	0000CC0000810056	FIRST NATIONAL BANK OF PENN	717 STATE STREET	ERIE	PA 16512	930
1	0000CC0000809561	FIRST NATIONAL BANK OF GALLITZIN	MAIN ST	GALLITZIN	PA 16641	43
1	0000000000809420	COUNTY NATL BK AT CLEARFIELD	COR MARKET AND SECOND STS-BOX 42	CLEARFIELD	PA 16830	223
1	0000CC0000809698	LEBANON VALLEY NATL BK	9TH CUMBERLAND STS	LEBANON	PA 17042	91
1	0000CC0000809805	NATIONAL BANK TRUST CO OF CENT PA	222 MARKET ST	HARRISBURG	PA 17101	519
1	0000CC0000813122	NATIONAL BK TR CO OF CENT PA	CLEARVIEW SHOPPING CTR	HANOVER	PA 17331	1
1	0000CC0000810085	FULTON NATIONAL BANK	2 SOUTH NINTH ST	AKRON	PA 17501	37
1	0000CC0000813012	LANCASTER CO FARMERS NATL BK	52 EAST KING ST	LANCASTER	PA 17602	257
1	0000CC0000810096	COLUMBIA COUNTY FARMERS NATL BK	MARKET ST	BENTON	PA 17814	27
1	0000CC0000809782	MINERS NATL BK OF POTTSVILLE	247 SUNBURY ST	MINERSVILLE	PA 17954	65
1	0000000000809381	CITIZENS NATL BK OF SLATINGTON	502 MAIN STREET	SLATINGTON	PA 18080	37
1	0000CC0000810039	FIRST NATIONAL BANK OF ALLENTOWN	HAMILTON MALL AT 7TH STREET	ALLENTOWN	PA 18101	982
1	0000CC0000810067	FIRST NATIONAL BANK OF NICHOLSON	BOX 307 57 MAIN	NICHOLSON	PA 18446	59
1	0000000000809831	NORTHEASTERN PENN NATL BK TR CO	BOX 231	SCRANTON	PA 18517	2017
1	0000CC0000809582	FIRST NATIONAL BANK OF EASTERN PA	11 WEST MARKET STREET	WILKES BARRE	PA 18701	801
1	0000CC0000812937	CHALFONTE NATL BK	40 N MAIN ST	CHALFONT	PA 18914	3
1	0000CC0000809958	PROVIDENT NATL BANK	BROAD & CHESTNUT STS	PHILADELPHIA	PA 19101	517
1	0000CC0000810079	FIRST PA BANKING TR CO	15TH CHESTNUT STREETS	PHILADELPHIA	PA 19101	2386
1	0000000000813813	CENTRAL PA NATL BK OF PHILA	1710 ARCH STREET	PHILADELPHIA	PA 19103	608
1	0000CC0000812920	NATIONAL BK TR CO OF KENNETT SQ	BOX 98	KENNETT SQ	PA 19348	105
1	0000CC0000805546	POTOMAC NATIONAL BK	4701 SANGAMORE ROAD	SUMNER	MD 20016	428
1	0000000000815541	FIRST NATL BK TR CO OF WESTERN MD	P O BOX 250	CUMBERLAND	MD 21502	205
1	0000CC0000811161	UNITED VIRGINIA BK	515 KING STREET	ALEXANDRIA	VA 22313	603
1	0000CC0000811183	FIRST NATIONAL BANK	BOX 575	BROADWAY	VA 22815	33
1	0000000000811178	FIRST MERCHANTS NATL BANK	2601 WEST BROAD STREET	RICHMOND	VA 23220	1117
1	0000CC0000811387	VIRGINIA NAT BK	BOX 1359	NORFOLK	VA 23501	1954
1	0000CC0000811335	UNITED VIRGINIA BK-CITIZENS MARIN	2501 WASHINGTON AVENUE	NEWPORT NEWS	VA 23607	11
1	0000000000811218	FIRST NATL EXCHANGE BK OF VIRGINIA	201 SOUTH JEFFERSON ST BOX 2351	ROANOKE	VA 24010	1292

TYPE	NUMBER	NAME	ADDRESS			LOANS
1	0000C0000811200	FIRST NATIONAL BANK CF MARTINSVILLE	BOX 152	STUART	VA	24171	71
1	0000CC000811222	UNITED VIRGINIA BK-FIRST NATL	1010 MAIN STREET DRAWER 201	LYNCHBURG	VA	24505	360
1	00C000000811226	GRUNDY NATL BK	RIVERSIDE	GRUNDY	VA	24614	8
1	C000C0000811564	CHARLESTON NATIONAL BK	POST OFFICE BOX 1113	CHARLESTCN	WV	25324	325
1	0000C0000811506	BECKLEY NATL BK	500 NEVILLE ST	BECKLEY	WV	25801	268
1	0000000000811571	UNION NATL BK	POST OFFICE BOX 2330	CLARKSBURG	WV	26301	429
1	0000CC000810350	SOUTH CAROLINA NATL BK	BOX 518	NEWBERRY	SC	29108	70
1	0000000000810280	CITIZENS SOUTHERN NATL BK	P O BOX 1039	CHARLESTCN	SC	29402	284
1	0000C0000802508	NATIONAL CITY BANK OF ROME	501 BROAD ST P O BOX 1193	ROME	GA	30161	66
1	00CC00000802478	FIRST NATIONAL BANK CF ATLANTA	2 PEACHTREE ST BOX 4148	ATLANTA	GA	30303	2584
1	0000000000817024	FIRST NATIONAL BANK	P O BOX 229	LOUISVILLE	GA	30434	46
1	00CCC0000816144	LIBERTY NATL BK TR CC	P O BOX 490	SAVANNAH	GA	31402	582
1	0000CC000819320	FIRST ATLANTIC NATL BK	PO BOX 5068-542 SEABREEZE BLVD	DAYTONA BEACH	FL	32020	193
1	00C0000000802223	ATLANTIC NATIONAL BANK	WEST BAY STA INSTAL LCAN DEPT.	JACKSONVILLE	FL	32203	559
1	00CCCCC00818766	FLORIDA NATL BANK CF ARLINGTON	840 UNIVERSITY BLVD BX 8278	JACKSONVILLE	FL	32211	97
1	0000000000818376	FIRST NATIONAL BANK OF MELBOURNE	500 STRAWBRIDGE AVE BOX 1630	MELBOURNE	FL	32901	94
1	0000C0000819295	CORAL GABLES FIRST NATIONAL BANK	P O BOX 430	CORAL GABLES	FL	33134	178
1	0000CCC00819587	FIRST NATIONAL BANK	P O BOX 5367	FT LAUDERDALE	FL	33310	170
1	0000000000802315	NATIONAL BANK	2001 SIESTA DRIVE P O BOX 5427	SARASOTA	FL	33579	284
1	0000CC0000802285	FIRST NATIONAL BANK	414-16 FRANKLIN ST BOX 1810	TAMPA	FL	33601	502
1	0000C0000802343	FIRST NATIONAL BANK	POST OFFICE BOX 130	FT MEYERS	FL	33902	241
1	0000C0000819328	FIRST NATIONAL BANK CF BIRMINGHAM	POST OFFICE BOX 11007	BIRMINGHAM	AL	35288	2519
1	0000000000800023	BIRMINGHAM TRUST NATL BANK	POST OFFICE BOX 2554	BIRMINGHAM	AL	35290	915
1	00C0000000815935	FIRST NATIONAL BANK	POST OFFICE BOX 680	HUNTSVILLE	AL	35801	153
1	0000C0000813665	FIRST NATIONAL BANK	BOX 511	MONTGOMERY	AL	36101	614
1	C000C0000800097	MERCHANTS NATIONAL BANK	106 SAINT FRANCIS ST	MOBILE	AL	36622	4296
1	0000000000814539	FIRST NATIONAL BANK		BUTLER	AL	36904	65
1	0000C0000810612	FIRST AMERICAN NATIONAL BANK	326 UNION STREET P O BOX 1351	NASHVILLE	TN	37202	1537
1	0000CC000810691	THIRD NATIONAL BANK	201 4TH AVE NORTH	NASHVILLE	TN	37219	517
1	0000000000810659	HAMILTON NATL BK	701 MARKET ST	CHATTANOOGA	TN	37402	437
1	00C0000000810616	FIRST CITIZENS NATIONAL BANK	POST OFFICE BOX 370	DYERSBURG	TN	38024	149
1	0000C0000806660	COAHOMA NATIONAL BANK	THIRD STREET BOX 100	CLARKSDALE	MS	38614	154
1	0000C0000814108	DEPOSIT GUARANTY NATL BK	200 E CAPITOL ST P O BOX 1200	JACKSON	MS	39201	1523
1	0000C0000813721	FIRST NATIONAL BANK	248 EAST CAPITOL ST	JACKSON	MS	39205	1487
1	0000000000806675	FIRST NATIONAL BANK	DRAWER 519	NEWTON	MS	39345	44
1	0000C0000806716	NATIONAL BANK OF COMMERCE	MAIN AND MARKETS STS-DRAWER 631	COLUMBUS	MS	39701	143
1	0000000000804973	LIBERTY NATIONAL BANK AND TRUST CO	416 W JEFFERSON ST PO BOX 1499	LOUISVILLE	KY	40201	1416
1	0000000000804959	FIRST NATIONAL BANK CF LOUISVILLE	421 W MARKET ST BOX 1019	LOUISVILLE	KY	40202	2203
1	0000C0000804317	SECOND NATL BK	1544 WINCHESTER	ASHLAND	KY	41101	147
1	0000C0000804985	PEOPLES FIRST NATIONAL BANK AND TC	KENTUCKY AVE AT FOURTH	PADUCAH	KY	42001	172
1	00CCC0000808664	PARK NATIONAL BANK	50 N THIRD ST	NEWARK	OH	43055	269
1	00CCC0000808662	OHIO NATL BANK CF COLUMBUS	51 NORTH HIGH ST	COLUMBUS	OH	43215	654
1	0000000000808732	CITY NATL BK TR CO	P O BOX 1349	COLUMBUS	OH	43216	1121
1	00C0000000808626	FIRST NATIONAL BANK CF CAMBRIDGE	819 WHEELING AVE	CAMBRIDGE	OH	43725	139
1	0000C0000808659	NORTHEASTERN OHIO NATL BANK	21 SOUTH BROADWAY STREET	GENEVA	OH	44041	64
1	0000000000808877	NATIONAL CITY BK OF CLEVELAND	P O BOX 5700	CLEVELAND	OH	44101	671
1	0000C0000808622	FIRST NATIONAL BANK CF AKRON	106 S MAIN ST	AKRON	OH	44308	714
1	00CCC0000813761	WAYNE CO NATIONAL BANK	P O BOX 16	WOOSTER	OH	44691	71
1	0000000000808633	FIRST NATIONAL BANK CF MIDDLETOWN	2 NORTH MAIN ST	MIDDLETOWN	OH	45042	162
1	0000C0000808717	CITIZENS BAUGHMAN NATL BANK	MAIN POPLAR STS	SIDNEY	OH	45365	117
1	0000000C00808956	WINTERS NATL BANK TRUST CO	WINTERS BANK TOWER	DAYTON	OH	45402	504

TYPE	NUMBER	NAME	ADDRESS				LOANS
1	0000000000308376	NATIONAL BANK OF PORTSMOUTH	428 CHILLICOTHE ST	PORTSMOUTH	OH	45662	210
1	0000000000809966	VAN WERT NATL BK	102 E MAIN ST P O BOX 111	VAN WERT	OH	45891	234
1	0000000000803482	FARMERS NATIONAL	102 S HARRISON STREET	SHELBYVILLE	IN	46176	165
1	0000000000803335	AMERICAN FLETCHER NATL BANK TR CO	108 N PENNSYLVANIA	INDIANAPOLIS	IN	46204	1526
1	0000000000803634	INDIANA NATIONAL BANK	ONE INDIANA SQUARE	INDIANAPOLIS	IN	46204	4541
1	0000000000803533	FIRST NATIONAL BANK	401 S MAIN ST PO BOX 27	GOSHEN	IN	46526	221
1	0000000000803653	LINCOLN NATIONAL BANK AND TRUST CO	116 E BERRY ST	FORT WAYNE	IN	46802	1098
1	0000000000803713	PEOPLES NATIONAL BANK	WALNUT CENTER STS BOX 140	LAWRENCEBURG	IN	47025	133
1	0000000000803528	FIRST NATIONAL BANK	CORNER 7TH MAIN STREET	RICHMOND	IN	47374	343
1	0000000000803769	SPRING VALLEY BK	COLLEGE MAPLE STS	FRENCH LICK	IN	47432	58
1	0000000000803408	CITIZENS NATIONAL BANK	11 NW FIFTH STREET	EVANSVILLE	IN	47701	955
1	0000000000803799	TERRE HAUTE FIRST NATIONAL BANK	519 WABASH AVENUE	TERRE HAUTE	IN	47807	792
1	0000000000803653	LAFAYETTE NATIONAL BANK	437 SOUTH STREET	LAFAYETTE	IN	47901	338
1	0000000000805987	HURON VALLEY NATIONAL BANK	777 NORTH UNIVERSITY	ANN ARBOR	MI	48103	66
1	0000000000806008	MANUFACTURERS NATIONAL BANK	411 WEST LAFAYETTE	DETROIT	MI	48226	2144
1	0000000000806102	PEOPLES NATIONAL BANK TRUST CO	300 CENTER AVENUE BOX 720	BAY CITY	MI	48706	465
1	0000000000914321	AMERICAN NATIONAL BANK & TRUST CO	2328 WEST MICHIGAN AVE	KALAMAZOO	MI	49006	160
1	0000000000813164	FIRST NATIONAL BANK OF SOUTHWEST MI	210 E MAIN ST	NILES	MI	49120	282
1	0000000000806035	NATIONAL BANK TRUST COMPANY	201 E FRONT ST BOX 549	TRAVERSE CITY	MI	49684	124
1	0000000000806147	SUPERIOR NATL BANK TRUST COMPANY	235 QUINCY ST	HANCOCK	MI	49930	206
1	0000000000804090	IOWA DES MOINES NATIONAL BANK	CORNER SIXTH AVENUE WALNUT STRE	DES MOINES	IA	50304	665
1	0000000000521034	OSAGE FARMERS NATL BK	BOX 70	OSAGE	IA	50461	25
1	0000000000804146	NATIONAL BANK OF WATERLOO	110 E PARK AVE	WATERLOO	IA	50704	393
1	0000000000804189	SECURITY NATIONAL BANK	607 PIERCE ST	SIOUX CITY	IA	51101	813
1	0000000000804033	FIRST NATIONAL BANK	LOCUST AT SEVENTH	DUBUQUE	IA	52001	490
1	0000000000803932	CITY NATIONAL BANK	OLD MARION RD AT 42ND ST	CEDAR RAPIDS	IA	52402	172
1	0000000000818177	KENOSHA NATL BK	625 57TH ST BOX 751	KENOSHA	WI	53141	35
1	0000000000811929	FIRST WISCONSIN NATIONAL BANK	777 E WISCONSIN AVENUE	MILWAUKEE	WI	53202	1137
1	0000000000811933	KELLOGG CITIZENS NATIONAL BANK	200 N ADAMS STREET	GREEN BAY	WI	54301	210
1	0000000000818132	SECURITY NATL BANK	212 W PROSPECT STREET	DURAND	WI	54736	109
1	0000000000811960	MARINE NATL BANK	111 E WISCONSIN AVENUE	NEENAH	WI	54956	114
1	0000000000806340	FIRST NATIONAL BANK OF ST PAUL	332 MINNESOTA ST	ST PAUL	MN	55101	2277
1	0000000000806443	NORTHWESTERN NATIONAL BANK	55 E FIFTH STREET	ST PAUL	MN	55101	108
1	0000000000806292	FIRST MINNEHAHA NATIONAL BANK	2716 E LAKE STREET	MINNEAPOLIS	MN	55406	1035
1	0000000000806446	NORTHWESTERN NATIONAL BK	SEVENTH MARQUETTE	MINNEAPOLIS	MN	55440	5490
1	0000000000817352	MIDLAND NATL BANK OF MINNEAPOLIS	401 SECOND AVE SOUTH	MINNEAPOLIS	MN	55440	169
1	0000000000803693	OLD-FIRST NATIONAL BANK	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN	55480	157
1	0000000000806049	NATIONAL BANK OF DETROIT	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN	55480	1205
1	0000000000806289	FIRST EDINA NATIONAL BK	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN	55480	98
1	0000000000806341	FIRST NATIONAL BANK	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN	55480	1791
1	0000000000806845	FIRST NATIONAL BANK	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN	55480	149
1	0000000000912845	FIRST NATIONAL BANK OF ENGLEWOOD	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN	55480	519
1	0000000000806359	FIRST NATIONAL BANK OF BOVEY		BOVEY	MN	55709	38
1	0000000000806167	FIRST AMERICAN NATL BK	230 W SUPERIOR ST BOX 488	DULUTH	MN	55802	1353
1	0000000000806318	FIRST NATIONAL BANK	POST OFFICE BOX 661	ROCHESTER	MN	55901	173
1	0000000000806428	THE NORTHWESTERN NATIONAL BANK	2ND AND HICKORY STS BOX 168	MANKATO	MN	56001	442
1	0000000000806315	FIRST NATIONAL BANK	BOX 5	WINNEBAGO	MN	56098	79
1	0000000000806578	FIRST NATIONAL BANK	4TH MAIN	MARSHALL	MN	56258	285
1	0000000000806173	FIRST NATIONAL BANK		CROSBY	MN	56441	59
1	0000000000806320	FIRST NATIONAL BANK	524 CENTER AVE BOX 340	MOORHEAD	MN	56560	382
1	0000000000810505	NORTHWESTERN NATL BK		DELL RAPIDS	SD	57022	75

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TYPE	NUMBER	NAME	ADDRESS			LOANS
1	0000000000813792	NATIONAL BK OF S D	23RD S D MINNESOTA AVE SO BRANCH	SIOUX FALLS	SD	57101 357
1	0000000000819497	DEUEL COUNTY NATL BANK		CLEAR LAKE	SD	57226 113
1	0000000000810388	ABERDEEN NATIONAL BANK	320 SOUTH FIRST STREET BOX 1000	ABERDEEN	SD	57401 230
1	0000000000810521	RANCHERS NATL BK	246 W 2ND STREET	WINNER	SD	57580 210
1	0000000000807213	FIRST NATIONAL BANK	201 CENTRAL AVENUE	VALLEY CITY	ND	58072 57
1	0000000000807174	COMMUNITY NATIONAL BANK	1616 SOUTH WASHINGTON AVENUE	GRAND FORKS	ND	58201 82
1	0000000000807246	JAMESTOWN NATIONAL BANK	125 FIRST AVE SOUTH PO BOX 1631	JAMESTOWN	ND	58401 231
1	0000000000807206	FIRST NATIONAL BANK	PO BOX 309	HETTINGER	ND	58639 59
1	0000000000806990	MIDLAND NATIONAL BANK	3RD AND BROADWAY	BILLINGS	MT	59103 1231
1	0000000000806964	FIRST NATIONAL BANK	BOX 191	GLASGOW	MT	59230 152
1	0000000000806982	FIRST WESTSIDE NATIONAL BANK	615 CENTRAL AVE WEST BOX 2508	GREAT FALLS	MT	59401 240
1	0000000000812058	FIRST NATIONAL BANK	101 N MAIN ST	BUTTE	MT	59701 347
1	0000000000806959	FIRST NATIONAL BANK	BOX 336	PLAINS	MT	59859 51
1	0000000000812212	DES PLAINES NATL BK	678 LEE ST	DES PLAINES	IL	60016 154
1	0000000000802812	CITIZENS NATIONAL BANK	214 WEST WASHINGTON STREET	WAUKEGAN	IL	60085 244
1	0000000000802860	ELMHURST NATIONAL BANK	105 S YORK ST	ELMHURST	IL	60126 604
1	0000000000803258	STATE NATIONAL BK	1603 ORRINGTON AVE PO BOX 552	EVANSTON	IL	60204 488
1	0000000000802946	FIRST NATIONAL BANK	78 NORTH CHICAGO STREET	JOLIET	IL	60431 336
1	0000000000803167	OLD SECOND NATIONAL BANK	37-39 S RIVER STREET	AURORA	IL	60504 411
1	0000000000802908	FIRST NATIONAL BANK	4456 WOLF ROAD	WESTERN SPGS	IL	60558 38
1	0000000000802715	AMERICAN NATIONAL BANK AND TR CO	LA SALLE AT WASHINGTON	CHICAGO	IL	60603 40926
1	0000000000803093	LASALLE NATIONAL BANK	135 S LASALLE STREET	CHICAGO	IL	60603 605
1	0000000000802837	CONTINENTAL ILLINOIS NATIONAL BANK	231 SOUTH LASALLE STREET LOCK BOX	CHICAGO	IL	60604 1402
1	0000000000819648	UNIVERSITY NATIONAL BANK	1354 EAST 55TH STREET	CHICAGO	IL	60615 372
1	0000000000803105	MARQUETTE NATIONAL BANK	6316 SOUTH WESTERN AVENUE	CHICAGO	IL	60636 557
1	0000000000802936	FIRST NATIONAL BANK	3101 WEST 95TH STREET	EVERGREEN PK	IL	60642 1102
1	0000000000803113	MERCHANDISE NATIONAL BANK	MERCHANDISE MART	CHICAGO	IL	60654 239
1	0000000000802933	FIRST NATIONAL BANK	1 FIRST NATL PLAZA	CHICAGO	IL	60670 1335
1	0000000000803191	POLO NATIONAL BANK	P O BOX 278	POLO	IL	61064 28
1	0000000000802716	AMERICAN NATIONAL BANK & TRUST CO	501 SEVENTH ST	ROCKFORD	IL	61110 78
1	0000000000814601	FIRST NATIONAL BANK	1810 4TH ST	PERU	IL	61354 63
1	0000000000803060	HERGET NATIONAL BANK	POST OFFICE BOX 839	PEKIN	IL	61554 254
1	0000000000802823	COMMERCIAL NATIONAL BANK	301 SOUTHWEST ADAMS STREET	PEORIA	IL	61602 1083
1	0000000000802918	FIRST NATIONAL BANK	210 BROADWAY	NORMAL	IL	61761 201
1	0000000000802803	CHARLESTON NATIONAL BANK	P O BOX 130	CHARLESTON	IL	61920 128
1	0000000000802854	EDWARDSVILLE NATIONAL BK TR CO	100 ST LOUIS STREET	EDWARDSVILLE	IL	62025 205
1	0000000000802968	FIRST NATIONAL BANK	19 PUBLIC SQUARE PO BOX 323	BELLEVILLE	IL	62220 336
1	0000000000802934	FIRST NATIONAL BANK	PO BOX 507	EFFINGHAM	IL	62401 87
1	0000000000803119	MILLIKIN NATL BK -DECATUR	ONE MILLIKIN COURT	DECATUR	IL	62525 391
1	0000000000802974	FIRST NATIONAL BANK	205 SOUTH FIFTH ST	SPRINGFIELD	IL	62701 476
1	0000000000802984	FIRST BANK & TRUST CO	123 SOUTH 10 TH STREET BOX 1149	MT VERNON	IL	62864 163
1	0000000000813310	BOATMENS NATIONAL BANK	PO BOX 7345	ST LOUIS	MO	63166 215
1	0000000000813767	NATIONAL BANK	320 ARMOUR RD	N KANSAS CITY	MO	64116 62
1	0000000000806837	FIRST NATIONAL BANK	503 MAIN STREET	CASSVILLE	MO	65625 27
1	0000000000804693	JOHNSON COUNTY NATIONAL BANK	6940 MISSION RD	PRAIRIE VLG	KS	66208 77
1	0000000000804720	MARION NATIONAL BANK	BOX 295	MARION	KS	66861 34
1	0000000000804647	FOURTH NATIONAL BANK TRUST CO	P O BOX 1318	WICHITA	KS	67202 221
1	0000000000804448	DOWNS NATIONAL BANK		DOWNS	KS	67437 28
1	0000000000804886	THOMAS CTY NATIONAL BK	P O BOX 717	COLBY	KS	67701 69
1	0000000000808485	OMAHA NATL BANK	17TH & FARNUM STREET - BOX 1399	OMAHA	NE	68102 206
1	0000000000808524	CITY NATIONAL BANK	1135 MAIN AVE	CRETE	NE	68333 63

TYPE	NUMBER	NAME	ADDRESS			LOANS
1	0000C0000808363	FIRST NATIONAL BANK	1123 B ST BOX 508	SCHUYLER	NE 68661	17
1	0000000000808328	COMMERCIAL NATL BANK TRUST	418-24 W THIRD ST	GRAND ISLAND	NE 68801	75
1	0000C0000817775	COMMERCIAL NATL BK	BOX 6	AINSWORTH	NE 69210	96
1	0000000000805147	FIRST NATIONAL BANK OF COMMERCE	210 BARONNE	NEW ORLEANS	LA 70112	750
1	0000C0000805125	HIBERNIA NATL BK	P O BOX 61540	NEW ORLEANS	LA 70160	524
1	0000000000805101	FIRST NATIONAL BANK OF CROWLEY	PARKERSON AT SECOND	CROWLEY	LA 70526	261
1	0000C0000819901	FIRST NATIONAL BANK	BOX 548	GONZALES	LA 70737	8
1	0000C0000805178	FIRST NATIONAL BANK OF SHREVEPORT	MARKET AT MILAN	SHREVEPORT	LA 71102	114
1	0000000000805149	OUACHITA NATL BK	130 DESIARD STREET	MONROE	LA 71201	337
1	0000C0000800284	FIRST NATIONAL BANK	3RD AND LOUISIANNA STS BOX 1471	LITTLE ROCK	AR 72203	339
1	0000C0000809058	MCCLAIN COUNTY NATL BK	131 W MAIN ST	PURCELL	OK 73080	59
1	0000C0000812147	FIRST NATIONAL BANK	100 E BROADWAY	ALTUS	OK 73521	48
1	0000C0000809063	NATL BK OF TULSA	320 SOUTH BOSTON	TULSA	OK 74103	283
1	0000000000820875	FEDERAL NATL BK		SHAWNEE	OK 74801	84
1	0000000000810776	FIRST GREENVILLE NATL BK	2502 STONEWALL ST BOX 1044	GREENVILLE	TX 75401	72
1	0000000000810745	CITY NATL BK	COR 8TH SCOTT STS PO BOX 60	WICHITA FALLS	TX 76301	597
1	0000000000810734	CITIZENS NATL BK	118 SOUTH HOUSTON ST	CAMERON	TX 76520	34
1	0000000000819544	CENTRAL NATIONAL BANK	P O BOX 1891	SAN ANGELO	TX 76901	148
1	0000000000820996	FIRST CITY NATL BK	BOX 2557	HOUSTON	TX 77001	584
1	0000000000818346	FIRST VICTORIA NATL BK	BOX 1338	VICTORIA	TX 77901	120
1	0000C0000810925	NATL BK OF COMMERCE	P O DRAWER 121	SAN ANTONIO	TX 78291	572
1	0000C0000810707	ALAMO NATIONAL BANK	P O BOX 900	SAN ANTONIO	TX 78293	4152
1	0000C0000810985	FIRST NATIONAL BANK	202 E VAN BUREN ST PO BOX 471	HARLINGEN	TX 78550	724
1	0000000000810716	AMERICAN NATIONAL BANK	COLONADO WEST SIXTH	AUSTIN	TX 78780	417
1	0000000000810817	FIRST NATIONAL BANK	DRAWER F	LEVELLAND	TX 79336	83
1	0000000000823672	NATIONAL BANK OF ODESSA	P O BOX 634	ODESSA	TX 79760	139
1	0000C0000816122	CONTINENTAL NATL BK	P O BOX 240	ENGLEWOOD	CO 80110	158
1	0000000000817622	SECURITY NATL BK	1616 GLENARM PLACE BOX 5586	DENVER	CO 80217	331
1	0000C0000801904	FIRST NATIONAL BANK	FIRST NATL BK BLDG	FLEMING	CO 80728	19
1	0000C0000801917	FIRST NATIONAL BANK	PIKES PEAK AT TEJON BOX 1699	COLORADO SPGS	CO 80942	223
1	0000000000801906	FIRST NATIONAL BANK	FIFTH MAIN ST PO BOX 608	GRAND JCT	CO 81501	233
1	0000C0000812078	WYOMING NATL BK OF CASPER	POST OFFICE BOX 2799	CASPER	WY 82601	251
1	0000000000802657	FIRST SECURITY BANK		PRESTON	ID 83263	63
1	0000C0000802655	FIRST SECURITY BANK	P O BOX 640	PAYETTE	ID 83661	33
1	0000C0000822908	IDAHO FIRST NATIONAL BANK	P O BOX 7009	BOISE	ID 83707	2194
1	0000000000811056	FIRST SECURITY BANK OF UTAH	3 EAST MAIN STREET BOX 730	VERNAL	UT 84078	97
1	0000000000813915	FIRST SECURITY BK OF UTAH	POST OFFICE BOX 478	SALT LAKE CY	UT 84110	2086
1	0000000000817455	ZIONS FIRST NATL BK	P O BOX 1507	SALT LAKECITY	UT 84110	4240
1	0000000000811044	FIRST SECURITY BANK OF UTAH	41 NORTH STATE ST	CREP	UT 84601	137
1	0000C0000811073	ZIONS FIRST NATIONAL BANK	111 NORTH 2ND WEST P O BOX 737	PROVO	UT 84601	850
1	0000C0000800241	VALLEY NATIONAL BANK	141 N CENTRAL AVE	PHOENIX	AZ 85001	7845
1	0000000000800152	FIRST NATIONAL BANK OF ARIZONA	GLENDALE POST OFFICE BOX 2968	PHOENIX	AZ 85062	351
1	0000C0000800170	FIRST NATIONAL BANK OF ARIZONA	TEMPE POST OFFICE BOX 2968	PHOENIX	AZ 85062	1100
1	0000000000818674	FIRST NATIONAL BANK OF ARIZONA	PARK CENTRAL POST OFFICE BOX 2968	PHOENIX	AZ 85062	222
1	0000C0000807674	ALBUQUERQUE NATIONAL BANK	123 CENTRAL AVE NW	ALBUQUERCUE	NM 87101	550
1	0000000000807710	FIRST NATIONAL BANK OF DONA ANA CO	P O BOX 610 USS BRANCH	LAS CRUCES	NM 88001	148
1	0000000000807705	FIRST NATIONAL BANK OF ALAMOGORDO	414 10TH STREET BOX 9	ALAMOGORDO	NM 88310	83
1	0000C0000814815	FIRST NATIONAL BANK OF NEVADA	204 N VIRGINIA ST	RENO	NV 89501	793
1	0000C0000800853	BANK OF AMERICA	3600 STOCKER ST	LOS ANGELES	CA 90008	193
1	0000C0000824421	BK OF AMERICA STU LN SER CTR SOUTH	111 WEST 7TH STREET ROOM 804	LOS ANGELES	CA 90014	25211
1	0000C0000800752	BANK OF AMERICA	1099 WESTWOOD BLVD	LOS ANGELES	CA 90024	1077

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TYPE	NUMBER	NAME	ADDRESS				LOANS
1	0000000813283	SECURITY PACIFIC NATIONAL BANK	P O BOX 30208	LOS ANGELES	CA	90030	14543
1	0000000800802	BANK OF AMERICA	8946 S SEPULVEDA BLVD	LOS ANGELES	CA	90045	1008
1	0000000800866	BANK OF AMERICA	2240 BELLFLOWER BLVD	LONG BEACH	CA	90815	2193
1	0000000800707	BANK OF AMERICA	530 EAST COLORADO BLVD	PASADENA	CA	91101	425
1	0000000800702	BANK OF AMERICA	18120 SHERMAN WAY	RESEDA	CA	91335	500
1	0000000800700	BANK OF AMERICA	135 W BONITA AVE	SAN DIMAS	CA	91773	80
1	0000000813281	SECURITY PACIFIC NATIONAL BANK	1200 THIRD AVENUE BOX 1791	SAN DIEGO	CA	92101	1602
1	0000000800726	BANK OF AMERICA	2341 ULRIC ST	SAN DIEGO	CA	92111	225
1	0000000801614	UNITED STATES NATIONAL BK	190 BROADWAY	SAN DIEGO	CA	92112	2907
1	0000000813235	SOUTHERN CAL FIRST NATL BK	COLLEGE CENTER BOX 15127	SAN DIEGO	CA	92115	438
1	0000000812086	BANK OF AMERICA	1691 UNIVERSITY AVE	RIVERSIDE	CA	92507	718
1	0000000813282	SECURITY PACIFIC NATL BK	3800 MAIN STREET BOX 712	RIVERSIDE	CA	92507	1950
1	0000000800715	BANK OF AMERICA	345 E CHAPMAN AVE	ORANGE	CA	92666	287
1	0000000800765	BANK OF AMERICA	P O BOX 878	GOLETA	CA	93017	1298
1	0000000813280	SECURITY PACIFIC NATIONAL BANK	P O BOX 702	FRESNO	CA	93712	854
1	0000000821062	BANK OF AMERICA	590 E SHAW BOX 5476	FRESNO	CA	93755	1117
1	0000000813298	CROCKER NATIONAL BANK	1560 VAN NESS AVE	SAN FRANCISCO	CA	94109	8759
1	0000000801123	BK OF AMERICA	3555 GEARY BLVD	SAN FRANCISCO	CA	94120	449
1	0000000824417	BK OF AMERICA STU LN SER CTR NORTH	POST OFFICE BOX 37007	SAN FRANCISCO	CA	94137	26432
1	0000000824650	WELLS FARGO BANK N A	POST OFFICE BOX 44095	SAN FRANCISCO	CA	94144	13312
1	0000000812087	BANK OF AMERICA	24089 WATKINS ST	HAYWARD	CA	94543	470
1	0000000801837	BK OF AMERICA	5782 FOOTHILL BLVD	OAKLAND	CA	94605	110
1	0000000800912	BANK OF AMERICA	2347 TELEGRAPH AVE	BERKELEY	CA	94704	1941
1	0000000801079	BK OF AMERICA	280 S SECOND ST	SAN JOSE	CA	95113	755
1	0000000800668	BANK OF AMERICA	697 8TH ST	ARCATA	CA	95521	339
1	0000000800769	BANK OF AMERICA	2547 FAIR OAKS BLVD	SACRAMENTO	CA	95825	800
1	0000000802575	FIRST NATIONAL BANK OF HAWAII	161 SOUTH KING ST	HONOLULU	HI	96801	500
1	0000000809160	FIRST NATL BK OF OREGON	POST OFFICE BOX 3131 T 6	PORTLAND	OR	97208	10206
1	0000000815678	UNITED STATES NATL BK	321 SW SIXTH AVE STUCENT LN DEPT	PORTLAND	OR	97208	6560
1	0000000809210	DOUGLAS NATL BK	555 S E KANE	ROSEBURG	OR	97470	47
1	0000000811615	NATIONAL BANK OF COMMERCE	POST OFFICE BOX 3966	SEATTLE	WA	98104	2345
1	0000000814817	SEATTLE FIRST NATL BK	4701 UNIVERSITY WAY NE	SEATTLE	WA	98105	3674
1	0000000814818	PACIFIC NATL BK	4500 UNIVERSITY WAY NE	SEATTLE	WA	98105	934
1	0000000818034	BELLINGHAM NATL BK	101 E HOLLY ST BK 6	BELLINGHAM	WA	98225	1182
1	0000000811651	PACIFIC NATIONAL BANK OF WASHINGTON	P O BOX 1997	TACOMA	WA	98401	2996
1	0000000811726	PUGET SOUND NATIONAL BANK	1119 PACIFIC AVENUE	TACOMA	WA	98402	939
1	0000000811698	OLD NATIONAL BANK OF WASHINGTON	WEST 428 RIVERSIDE AVE PO BOX 151	SPOKANE	WA	99201	2146
2	0000000812333	BANCO CREDITO YAHORRO PONCENO	EDIF MIDTOWN PISO 7	HATO REY	PR	905	372
2	0000000809301	GOVT DEVELOP BK FOR PUERTO RICO	1311 PONCE DE LEON AVE	SAN JUAN	PR	907	1914
2	0000000812474	BANCO CREDITO Y A PONCENO	8 GEORGETTI ST	RIO PIEDRAS	PR	928	1003
2	0000000809300	BANCO POPULAR DE PUERTO RICO	G P O BOX 2708	SAN JUAN	PR	936	1871
2	0000000822729	BANCO DE ECONOMIAS Y PRESTAMOS	GPO BOX BV	SAN JUAN	PR	936	91
2	0000000805267	GUARANTY BANK & TRUST COMPANY	370 MAIN STREET	WORCESTER	MA	1608	252
2	0000000805222	ESSEX CO BK TR CO	ROUTE 128	PEABODY	MA	1960	651
2	0000000805321	NORFOLK CTY TRUST CO	855 WASHINGTON STREET	DEDHAM	MA	2026	2185
2	0000000805352	STATE STREET BK TR CO	225 FRANKLIN STREET	BOSTON	MA	2109	1022
2	0000000815562	COUNTY BK	15 BOW ST	SOMERVILLE	MA	2143	352
2	0000000805354	COOLIDGE BANK & TRUST COMPANY	635 MASS AVE	ARLINGTON	MA	2174	85
2	0000000819439	CAPE COD BANK AND TRUST CO	BOX 278	HARWICH PORT	MA	2646	1
2	0000000810234	CITIZENS TRUST COMPANY	797 WESTMINISTER STREET	PROVIDENCE	RI	2903	867
2	0000000805639	CASCO BANK TRUST COMPANY	P O BOX 678	PORTLAND	ME	4104	794

TYPE	NUMBER	NAME	ADDRESS			LOANS
2	0000000000805742	MERRILL TRUST COMPANY	2 HAMMOND STREET	BANGOR	ME	4401 289
2	0000000000905812	WASHBURN TRUST COMPANY		WASHBURN	ME	4786 26
2	0000000000811423	CHITTENDEN TRUST COMPANY	2 BURLINGTON SQUARE	BURLINGTON	VT	5401 642
2	0000000000811441	HARDWICK TRUST COMPANY	P O BOX 475	HARDWICK	VT	5843 42
2	0000000000801971	CHARTER OAK BANK TRUST COMPANY	90 PEARL STREET	HARTFORD	CT	6103 58
2	0000000000801974	CITY NATIONAL BANK	961 MAIN STREET	BRIDGEPORT	CT	6602 1779
2	0000000000801983	COLONIAL BANK TRUST COMPANY	81 WEST MAIN ST BOX 2150	WATERBURY	CT	6720 1876
2	0000000000802041	UNION TRUST COMPANY	950 POST RD	DARIEN	CT	6820 147
2	0000000000802189	WESTPORT BANK TRUST COMPANY	87 EAST STATE ST BOX 751	WEST PORT	CT	6880 380
2	0000000000807636	STATE BANK OF NORTH NEW JERSEY	716 MAIN STREET	BOONTON	NJ	7005 325
2	0000000000807585	NEW JERSEY BANK NATL ASSOC	657 MAIN AVENUE	PASSAIC	NJ	7055 905
2	0000000000807472	FIDELITY UNION TRUST COMPANY	10 BANK STREET	NEWARK	NJ	7101 1407
2	0000000000807655	UNITED COUNTIES TRUST COMPANY	142 BROAD STREET	ELIZABETH	NJ	7207 315
2	0000000000821326	CENTRAL HOME TRUST CO	288 N BROAD ST	ELIZABETH	NJ	7207 23
2	0000000000807605	PEOPLES TRUST COMPANY	210 MAIN ST	HACKENSACK	NJ	7601 847
2	0000000000807427	CENTRAL JERSEY BK TR CO	577 BROADWAY	LONG BRANCH	NJ	7740 1213
2	0000000000807452	DOVER TRUST COMPANY	15 WEST BLACKWELL STREET	DOVER	NJ	7801 486
2	0000000000807422	BURLINGTON COUNTY TRUST COMPANY	91 EAST MAIN STREET	MOORESTOWN	NJ	8057 433
2	0000000000807423	BANK OF NEW JERSEY	2610 FEDERAL STREET	CAMDEN	NJ	8103 1676
2	0000000000807651	THE NATL STATE BANK	28 WEST STATE STREET	TRENTON	NJ	8608 494
2	0000000000807571	MID-STATE BK TR CO	25 MAIN STREET	SOUTH RIVER	NJ	8882 194
2	0000000000807808	CHEMICAL BK	770 BROADWAY 4TH FLOOR	NEW YORK	NY	10003 2527
2	0000000000807307	CHASE MANHATTAN BANK N A	1 CHASE MANHATTAN PLAZA STATE LNS	NEW YORK	NY	10015 1754
2	0000000000808038	MARINE MIDLAND BANK	120 BROADWAY	NEW YORK	NY	10015 21
2	0000000000808037	MANUFACTURERS HANOVER TRUST COMPANY	4 NEW YORK PLAZA	NEW YORK	NY	10022 1193
2	0000000000807838	COUNTY TRUST COMPANY	P O BOX 231	WHITE PLAINS	NY	10602 765
2	0000000000808179	STATE BANK OF ALBANY	69 STATE STREET	ALBANY	NY	12207 392
2	0000000000808044	MARINE MIDLAND BANK-NORTHERN	120 WASHINGTON STREET	WATERTOWN	NY	13601 208
2	0000000000808023	LINCOLN FIRST BANK OF ROCHESTER	MIDTOWN PLAZA	ROCHESTER	NY	14604 481
2	0000000000809330	BEAVER TRUST COMPANY	600 MIDLAND AVE	MIDLAND	PA	15059 84
2	0000000000809480	FAYETTE BANK TRUST COMPANY	50 WEST MAIN STREET	UNIONTOWN	PA	15401 595
2	0000000000809471	FARMERS BANK TRUST COMPANY	PO BOX 369	INDIANA	PA	15701 171
2	0000000000809678	JOHNSTOWN BANK & TRUST CO	532-534 MAIN STREET	JOHNSTOWN	PA	15901 788
2	0000000000809689	FIRST SENECA BANK & TRUST CO	434 LAWRENCE AVENUE	ELLWOOD CITY	PA	16117 379
2	0000000000809538	FIRST SENECA BANK TRUST COMPANY	248 SENECA STREET	OIL CITY	PA	16301 114
2	0000000000809854	PENN BANK AND TRUST COMPANY THE	WEST SPRING STREET	TITUSVILLE	PA	16354 237
2	0000000000809312	MID-STATE BK TR CO	1130 12TH AVE	ALTOONA	PA	16601 369
2	0000000000809460	ELIZABETHTOWN TRUST COMPANY	PO BOX 227	ELIZABETHTOWN	PA	17022 146
2	0000000000809393	COMMUNITY STATE BANK	P O BOX 8	ORBISONIA	PA	17243 88
2	0000000000809835	NORTHERN CENTRAL BANK TRUST CO	COR 4TH AND PINE STS	WILLIAMSPORT	PA	17701 296
2	0000000000809556	FIRST VALLEY BANK	535 MAIN STREET	BETHLEHEM	PA	18018 744
2	0000000000809797	SECURITY BANK TRUST COMPANY	814 MAIN ST	STROUDSBURG	PA	18360 171
2	0000000000809790	UNITED PENN BK OF WILKES BARRE	8-16 WEST MARKET ST	WILKES BARRE	PA	18701 523
2	0000000000818717	GERMANTOWN SAVINGS BANK	2 DECKER SQUARE	BALA CYNWYD	PA	19004 1329
2	0000000000809625	GIRARD TRUST BANK	1 GIRARD PLAZA	PHILADELPHIA	PA	19101 3229
2	0000000000809433	FIDELITY BANK	BROAD ARCH STS	PHILADELPHIA	PA	19107 2868
2	0000000000815624	FIDELITY BANK	BROAD ARCH STS	PHILADELPHIA	PA	19107 355
2	0000000000809402	CONTINENTAL BANK TRUST COMPANY	MAIN STREET	NORRISTOWN	PA	19401 1477
2	0000000000812724	BANK OF PENNSYLVANIA	POST OFFICE BOX 1337	READING	PA	19601 427
2	0000000000312731	AMERICAN BANK & TRUST COMPANY	TENTH PENN STS	READING	PA	19601 1166
2	0000000000802207	DELAWARE TRUST COMPANY	900 MARKET ST	WILMINGTON	DE	19801 565

TYPE	NUMBER	NAME	ADDRESS			LOANS
2	000CC0000821442	UNITED BK & TR CO	9401 INDIAN HEAD HGHY	OXON HILL	MD 20022	24
2	000CC0000815558	EQUITABLE TR CO	20 E NORTH AVE	BALTIMORE	MD 21202	716
2	000CC0000805595	UNION TRUST CO OF MARYLAND	BALT ST PAUL STS	BALTIMORE	MD 21203	1402
2	000000000821935	FIRST VIRGINIA BANK	6400 ARLINGTON BLVD	FALLS CHURCH	VA 22042	251
2	000000000811107	BANK OF VIRGINIA	307 EAST MAIN STREET BOX 392	FRONT ROYAL	VA 22630	21
2	000CC0000811109	BANK OF VIRGINIA IN PENINSULA	96 MAIN STREET BOX 1397	NEWPORT NEWS	VA 23601	152
2	000000000811111	BANKERS TRUST COMPANY	101 MAIN ST	ROCKY MOUNT	VA 24151	20
2	000CC0000811561	BANK OF DUNBAR	P O BOX 5	DUNBAR	WV 25064	169
2	000CC0000820096	SECURITY BANK OF HUNTINGTON	POST OFFICE BOX 2509	HUNTINGTON	WV 25703	325
2	000000000811572	UNION TRUST DEPOSITS CO	700 MARKET ST	PARKERSBURG	WV 26101	242
2	000CC0000811517	COMMUNITY BK TR	103 ADAMS STREET BOX 1507	FAIRMONT	WV 26554	63
2	000CC0000810322	BANKERS TRUST OF SOUTH CAROLINA	MAIN STREET-BOX 97	PICKENS	SC 29671	49
2	000CC0000802410	CITIZENS SOUTHERN BANK	215 N CENTER ST BOX 551	THOMASTON	GA 30286	16
2	000CC0000802403	BULLOCH COUNTY BANK	P O BOX 878	STATESBORO	GA 30458	120
2	000000000802490	GEORGIA RAILROAD BANK TRUST CO	701 BROAD ST	AUGUSTA	GA 30902	435
2	000000000802433	CITIZENS STATE BANK	P O DRAWER A	ALMA	GA 31510	46
2	000CC0000816236	COLUMBUS BK TR CO	P O BOX 120 1148 BROADWAY	COLUMBUS	GA 31902	134
2	000000000802326	PEOPLES BANK	1136 THOMASVILLE HIGHWAY	TALLAHASSEE	FL 32303	232
2	000000000802355	UNIVERSITY CITY BK	DRAWER U	GAINESVILLE	FL 32601	349
2	000CC0000814451	LAKE FOREST ATLANTIC BK	PO BOX 9398 1336WEST EDGEWOOD AVE	JACKSONVILLE	FL 33208	219
2	000000000802292	FIRST PARK BANK	5100 PARK BLVD BOX 97	PINELLAS PARK	FL 33565	27
2	000CC0000802270	FIRST COMMERCIAL BANK	2100 34TH ST BOX 12350	ST PETERSBURG	FL 33733	43
2	000CC0000800051	EXCHANGE SECURITY BANK	P O BOX 3267	BIRMINGHAM	AL 35205	570
2	000CC0000812780	CLAYTON BANKING COMPANY	BOX 398	CLAYTON	AL 36016	53
2	000CC0000800134	UNION BANK TRUST COMPANY	60 COMMERCE STREET	MONTGOMERY	AL 36104	1515
2	000000000800101	PEOPLES BANK TRUST COMPANY	310 BROAD ST	SELMA	AL 36701	41
2	000000000813790	COMMERCE UNION BK	109 9TH ST	NASHVILLE	TN 37206	461
2	000CC0000810593	COMMERCE UNION BANK	400 UNION STREET BOX 2668	NASHVILLE	TN 37219	1289
2	000000000813669	CITIZENS UNION BK		ROGERSVILLE	TN 37857	50
2	000CC0000806616	BANK OF CLARKSDALE	121 E SECOND ST PO BOX 1059	CLARKSDALE	MS 38614	206
2	000000000806741	SECURITY BANK	501 WAIDRON STREET BOX 1439	CORINTH	MS 38834	131
2	000000000806683	FIRST STATE BK	BOX 506	WAYNESBORO	MS 39367	77
2	000CC0000806689	HANCOCK BANK	2500 14TH ST P O BOX 4019	GULFPORT	MS 39501	497
2	000000000804947	DEPOSIT BANK OF PLEASUREVILLE		PLEASUREVILLE	KY 40057	122
2	000000000804950	FARMERS DEPOSIT BANK	MAIN CROSS STREET BOX 387	FLEMINGSBURG	KY 41041	26
2	000CC0000804996	PADUCAH BK TR CO	529 BROADWAY BOX 571	PADUCAH	KY 42001	300
2	000000000804930	CENTRAL BANK TRUST COMPANY	POST OFFICE BOX 826	OWENSBORO	KY 42301	219
2	000CC0000808954	KNOX COUNTY SVGS BK	PUBLIC SQUARE BOX 551	MOUNT VERNON	OH 43050	101
2	000CC0000808943	TOLEDO TRUST CO	POST OFFICE BOX 1628	TOLEDO	OH 43603	340
2	000000000813760	CLEVELAND TR CO	E 9TH AND EUCLID PO BOX 5937	CLEVELAND	OH 44101	1196
2	000CC0000809731	CITY BANK	115 S WATER ST	KENT	OH 44240	90
2	000CC0000808851	HURON COUNTY BANKING CO	7-11 E MAIN ST	NORWALK	OH 44857	100
2	000CC0000816271	CENTRAL TR CO	7TH RACE STS	CINCINNATI	OH 45202	1198
2	000CC0000808666	PEOPLES BANKING TRUST CO	138 PUTNAM ST	MARIETTA	OH 45750	55
2	000000000803348	ANDERSON BANKING COMPANY	931 MERIDIAN ST PO BOX 849	ANDERSON	IN 46015	431
2	000000000803811	DANVILLE STATE BANK	20 SOUTH JEFFERSON BOX 119	DANVILLE	IN 46122	92
2	000CC0000803709	PEOPLES BK TR	130 E MARKET ST	INDIANAPOLIS	IN 46204	424
2	000000000822481	BANK OF INDIANA	575 BROADWAY	GARY	IN 46402	738
2	000000000803771	SAINT JOSEPH VALLEY BANK	429 S MAIN ST PO BOX 640	ELKHART	IN 46514	598
2	000CC0000803508	FIRST BANK TRUST COMPANY	133 S MAIN STREET	SOUTH BEND	IN 46601	130
2	000000000803440	CROMWELL STATE BANK	117 JEFFERSON BOX 367	CROMWELL	IN 46732	47

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TYPE	NUMBER	NAME	ADDRESS			LOANS
2	000000000803847	FIRST VALLEY BANK	301 EAST MAIN	GAS CITY	IN 46933	95
2	000000000803506	FIRST BANK	890 MAIN STREET	CHARLESTOWN	IN 47111	87
2	000000000803642	IRWIN UNION BANK AND TRUST COMPANY	500 WASHINGTON BOX 352	COLUMBUS	IN 47201	352
2	000000000803503	FAYETTE BANK AND TRUST COMPANY	536 CENTRAL AVE BOX 247	CONNERSVILLE	IN 47331	135
2	000000000803447	DUBOIS COUNTY BANK	BOX 550	JASPER	IN 47546	200
2	000000000803650	LAFAYETTE BANK & TRUST CO	133-35 N FOURTH ST	LAFAYETTE	IN 47901	47
2	000000000806159	WAYNE OAKLAND BANK	400 S MAIN ST BOX 231	ROYAL OAK	MI 48067	1119
2	000000000806127	TRI-CITY BANK	P O BOX 748	WARREN	MI 48090	561
2	000000000806121	SECURITY BK TRUST CO	16333 TRENTON ROAD	SOUTHGATE	MI 48195	418
2	000000000805865	CITIZENS COMMERCIAL SAVINGS BANK	328 S SAGINAW ST	FLINT	MI 48502	1127
2	000000000805973	GENESEE MERCHANTS BK TR CO	1 EAST FIRST STREET	FLINT	MI 48502	1230
2	000000000805859	CHEMICAL BANK TRUST CO	333 E MAIN ST	MIDLAND	MI 48640	240
2	000000000805896	EAST LANSING STATE BANK	100 W GRAND RIVER BOX 32	EAST LANSING	MI 48823	553
2	000000000805990	INDUSTRIAL STATE BANK & TR CO	151 SOUTH ROSE	KALAMAZOO	MI 49006	218
2	000000000805838	COMMERCIAL SAVINGS BANK	117 EAST MAUMEE	ADRIAN	MI 49221	373
2	000000000806104	PEOPLES STATE BANK	36-38 E 8TH ST	HOLLAND	MI 49423	135
2	000000000805078	OLD KENT BANK TRUST COMPANY	NUMBER ONE VANDENBERG CENTER	GRAND RAPIDS	MI 49502	2093
2	000000000805857	CHARLEVOIX COUNTY STATE BANK	227 BRIDGE STREET BOX 188	CHARLEVOIX	MI 49720	54
2	000000000803998	ATLANTIC STATE BANK	BOX 190	ATLANTIC	IA 50022	99
2	000000000804101	IOWA STATE SAVINGS BANK	222 E ROBINSON ST BOX 111	KNOXVILLE	IA 50138	109
2	000000000804173	PERRY STATE BANK	1202 SECOND STREET P O BOX 129	PERRY	IA 50220	86
2	000000000812388	PLAZA ST BK	301 MERLE HAY PLAZA	DES MOINES	IA 50322	58
2	000000000804194	SECURITY SAVINGS BANK	201 W BROADWAY	EAGLE GROVE	IA 50533	139
2	000000000804042	FIRST SECURITY BANK TRUST COMPANY	PO BOX 431	CHARLES CITY	IA 50616	189
2	000000000804163	PEOPLES BANK TRUST CO	419 W 4TH ST	WATERLOO	IA 50704	339
2	000000000804117	LE MARS SAVINGS BANK	PO BOX 1008	LE MARS	IA 51031	229
2	000000000804097	IOWA STATE BANK	BOX N	HILL	IA 51239	45
2	000000000804269	WALL LAKE SAVINGS BANK	202 MAIN ST	WALL LAKE	IA 51466	59
2	000000000803969	DUBUQUE BANK TR CO	1398 CENTRAL AVE BOX 778	DUBUQUE	IA 52001	223
2	000000000803929	CITIZENS STATE BANK		POSTVILLE	IA 52162	65
2	000000000814686	VICTOR STATE BK	BOX 194	VICTOR	IA 52347	11
2	000000000804127	MAHASKA STATE BANK	124 SOUTH 1ST ST	OSKALOOSA	IA 52577	190
2	000000000803991	FARMERS SAVINGS BANK		PRINCETON	IA 52768	14
2	000000000811897	FIRST CITIZENS STATE BANK	PO BOX 177	WHITEWATER	WI 53190	37
2	000000000811950	MERCHANTS SAVINGS BANK	12 W MILWAUKEE ST	JANESVILLE	WI 53545	223
2	000000000811993	PRAIRIE CITY BANK	PO BOX 338	PR DU CHIEN	WI 53821	75
2	000000000811948	MANITOWOC SAVINGS BANK	1000 FRANKLIN ST	MANITOWOC	WI 54220	143
2	000000000811952	MERCHANTS STATE BANK	P O BOX 280	RHINELANDER	WI 54501	72
2	000000000811972	NORTHERN STATE BANK	PO BOX 306	ASHLAND	WI 54806	178
2	000000000806410	LAKE CITY STATE BANK	BOX 455	LAKE CITY	MN 55041	65
2	000000000806403	HILLCREST STATE BANK	1590 WHITE BEAR AVE	ST PAUL	MN 55106	141
2	000000000806535	STATE BANK		CHANHASSEN	MN 55317	47
2	000000000821290	FARMERS & MECHANICS SVGS BK	90 SOUTH 6TH ST	MINNEAPOLIS	MN 55402	676
2	000000000806479	RICHFIELD BANK AND TRUST CO	6625 LYNDALE AVENUE S	RICHFIELD	MN 55423	182
2	000000000804937	CITIZENS FIDELITY BANK AND TRUST CO	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN 55480	1608
2	000000000804985	PEOPLES BANK TRUST CO	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN 55480	163
2	000000000806458	OKATOMMA STATE BANK	PO BOX A1577 STUDENT LOAN SER CTR	MINNEAPOLIS	MN 55480	26
2	000000000810449	FARMER ST BK TURTON STU LOAN SERV C	BOX A1577	MINNEAPOLIS	MN 55480	36
2	000000000818507	BK OF FORT ATKINSON	P O BOX A1577 STUDENT LN SVC CTR	MINNEAPOLIS	MN 55480	127
2	000000000826441	NORTHWESTERN BK OF COMMERCE	131 W SUPERIOR ST	DULUTH	MN 55802	428
2	000000000813611	ONSGARD ST BK		SPRING GROVE	MN 55974	36

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TYPE	NUMBER	NAME	ADDRESS			LOANS
2	0000C0000806605	WINDOM STATE BANK		WINDOM	MN 56101	79
2	0000000000806195	BANK OF WILLMAR	302 W 5TH STREET P O BOX 1018	WILLMAR	MN 56201	198
2	C000CCC00806603	WESTERN STATE BANK	BOX 131	MARSHALL	MN 56258	109
2	0000000000806212	CITIZENS ST BK OF BRANDON		BRANDON	MN 56315	48
2	0000C0C000806249	ERHARD ST BK	BOX 78	ERHARD	MN 56534	24
2	0000CCCC00806404	INTERNATIONAL STATE BANK	BOX 511	INT FLS	MN 56649	111
2	0000000000810538	STATE BK OF HUDSON		HUDSON	SD 57034	23
2	0000CC0C00810490	GARY STATE BK		GARY	SD 57237	35
2	0000C0C000810435	FARMERS MERCHANTS BK	BOX 848	HURON	SD 57350	387
2	0000C0C000810406	BURKE STATE BANK	H	BURKE	SD 57523	114
2	0000C0000816627	SECURITY STATE BK OF HUNTER		HUNTER	ND 58048	39
2	0000000000807227	FIRST STATE BANK	BOX 150	PARK RIVER	ND 58270	92
2	0000C0C000807237	FOSTER COUNTY STATE BANK	PO BOX 108	CARRINGTON	ND 58421	91
2	0000C0C000E16386	BANK OF NORTH DAKOTA	700 MAIN ST DRAWER 1657	BISMARCK	ND 58501	9882
2	0000000000807191	FARMERS STATE BANK	DRAWER B	RICHARDTON	ND 58652	77
2	0000000C00807022	VALLEY STATE BANK	PO BOX 20007	BILLINGS	MT 59102	167
2	0000000C00806980	FIRST STATE BANK		FORSYTH	MT 59327	72
2	0000000000806937	BLAINE BANK OF MONTANA		CHINOOK	MT 59523	37
2	C000C0C000806934	BANK OF COLUMBIA FALLS	PO BOX 280	COLUMBIA FLS	MT 59912	60
2	0000C0000812220	GLENVIEW STATE BK	800 WAUKEGAN LANE	GLENVIEW	IL 60025	305
2	0000C0000803166	OLD ORCHARD BANK TRUST CO	OLD ORCHARD RD AT LAVERGNE	SKOKIE	IL 60076	331
2	0000CC000817596	YORK STATE BANK AND TRUST CO	536 SOUTH YORK STREET	ELMHURST	IL 60126	120
2	0000000000812241	SCHAUMBURG ST BK	320 W HIGGINS RD BOX 199	SCHAUMBURG	IL 60172	173
2	0000C0C000802861	EVANSTON BANK	603 MAIN ST	EVANSTON	IL 60202	2079
2	0000C0C000803169	OLYMPIA STATE BANK	195 OLYMPIA PLAZA	CHICAGO HTS	IL 60411	119
2	0000000000802743	BANK OF CLARENDON HILLS	200 PARK AVE	CLARENDON HLS	IL 60514	48
2	0000000000803050	HARRIS TRUST SAVINGS BANK	111 WEST MONROE STREET PO BOX 755	CHICAGO	IL 60603	846
2	0000C0C000803100	MADISON BANK TRUST COMPANY	400 WEST MADISON STREET PO BOX 50	CHICAGO	IL 60606	174
2	0000000000802762	BANK OF RAVENSWOOD	1825 WEST LAWRENCE AVENUE	CHICAGO	IL 60640	197
2	0000C0C000803027	FIRST TRUST SAVINGS BANK	P O BOX 13	WATSEKA	IL 60970	105
2	0000000000802800	CENTRAL TRUST SAVINGS BANK	101 N STATE STREET P O BOX 89	GENESEO	IL 61254	42
2	0000C0000803285	MONMOUTH TR SVGS BK	100 S MAIN P O BOX 267	MONMOUTH	IL 61462	81
2	0000000000803109	MCLEAN COUNTY BANK	1304 E EMPIRE ST	BLOOMINGTON	IL 61701	151
2	0000000000921119	STATE BK OF SULLIVAN	208 S HAMILTON	SULLIVAN	IL 61951	9
2	0000000000814074	STATE BK OF COLLINSVILLE	BOX 168	COLLINSVILLE	IL 62234	84
2	0000C0C000821224	OLNEY TRUST BANKING CO	600 EAST MAIN STREET	OLNEY	IL 62450	51
2	0000000000802859	ELLIOTT STATE BANK	73 PUBLIC SQUARE	JACKSONVILLE	IL 62650	200
2	0000C0C000803092	LAND OF LINCOLN BANK	1155 NORTH 9TH STREET	SPRINGFIELD	IL 62705	98
2	0000C0C000802786	C P BURNETT SONS BANKERS	P O BOX 450	ELDORADO	IL 62930	36
2	0000000000922770	COMMERCE BANK OF UNIVERSITY CITY	6630 DELMAR BLVD	UNIVERSITY CY	MO 63130	117
2	0000C0C000814013	BANK OF SIKESTON	104 E CENTER ST	SIKESTON	MO 63801	53
2	0000000000806927	UNITED MISSOURI BANK SOUTH	7901 WORNALL RD	KANSAS CITY	MO 64114	177
2	0000C0000806808	COMMERCE BANK OF KANSAS CITY	922 WALNUT STREET - BOX 248	KANSAS CITY	MO 64141	1703
2	0000C0C000806763	BANK OF NEOSHO	100 SOUTH WOOD DRAWER 400	NEOSHO	MO 64850	34
2	0000000000806752	BANK OF GAINSVILLE	BOX 68	GAINESVILLE	MO 65655	28
2	0000C0C000804402	CITIZENS STATE BANK	3-5 EAST WEA	PAOLA	KS 66071	37
2	0000C0C000804726	METCALF STATE BANK	79TH METCALF BOX 4249	OVERLAND PARK	KS 66204	192
2	0000C0C000804341	BANK OF COMMERCE	MAIN AND GRANT BOX 538	CHANUTE	KS 66720	162
2	0000000000804427	CITIZENS STATE BANK	POST OFFICE BOX 848	EL DORADO	KS 67042	51
2	0000000000804772	PLANTERS STATE BANK	128-132 N SANTA FE, PO BOX 878	SALINA	KS 67401	129
2	0000C0000804366	BUHLER STATE BANK		BUHLER	KS 67522	71

TYPE	NUMBER	NAME	ADDRESS			LOANS
2	000CCC0000E04787	RUSSELL STATE BANK	BOX 713	RUSSELL	KS 67665	81
2	0000000C00808282	BANK OF BELLEVUE	201 WEST MISSION BOX 488	BELLEVUE	NE 68005	232
2	0000C00000808499	SALINE STATE BANK	BOX 88	WILBER	NE 68465	19
2	0000C0C000809375	FARMERS STATE BANK	BOX 229	AURORA	NE 68818	30
2	0000J0000823706	BANK OF MULLEN	P O BOX F	MULLEN	NE 69152	4
2	0000C0000805032	BANK OF LA IN NEW ORLEANS	246 LOYALA AVE	NEW ORLEANS	LA 70150	63
2	0000CCC000805106	FIRST STATE BK TRUST CO	346 COLUMBIA ST	BOGALUSA	LA 70427	140
2	0000J0000805126	JEFF DAVIS BK TRUST CO	BOX 820	JENNINGS	LA 70546	68
2	0000000000819903	PLAQUEMINE BANK & TRUST CO		PLAQUEMINE	LA 70764	50
2	0000C00000805012	AMERICAN BANK AND TRUST COMPANY	P O BOX 66007	BATON ROUG	LA 70806	1173
2	0000J0000805048	BOSSIER BANK TRUST COMPANY	P O BOX 5667	BOSS[illegible]	LA 71010	1787
2	0000C0C000805156	RAPIDS BK TRUST CO	400 MURRAY ST	AL[illegible] ND	LA 71301	347
2	0000C0C000800244	ARKANSAS BANK TRUST COMPANY	301 BROADWAY ST BOX 640	HOT SPRING	AR 71901	141
2	0000C0000800302	MERCANTILE BANK	300 SOUTH CHURCH P O BOX 610	JONESBORO	AR 72401	404
2	0000C0000816388	DILL STATE BANK	PO BOX 415	DILL CITY	OK 73641	72
2	0000000000820312	DALLAS INTERNATIONAL BANK	1226 COMMERCE ST	DALLAS	TX 75202	356
2	0000800000824613	EXCHANGE BANK & TRUST COMPANY	P O BOX 35207	DALLAS	TX 75235	123
2	0000C0000820805	TEXAS BK TR CO	1 MAIN PLACE	DALLAS	TX 75250	17164
2	0000J0000823173	EMIGRANT SVGS BK / TEXAS BK & TR	P O BOX 50688-ATT MR SAM BLACK	DALLAS	TX 75250	1641
2	0000C0C000823933	SEMINARY STATE BANK	POST OFFICE BOX 6295	FORT WORTH	TX 76115	195
2	0000C0000820677	NORTH SIDE STATE BK	POST OFFICE BOX 2583	HOUSTON	TX 77001	892
2	0000C0000822854	UNION ST BK OF BEAUMONT	P O BOX 3191	BEAUMONT	TX 77704	498
2	0000C0000810896	HIGHLAND PARK ST BK	512 HIGHLAND BLVD BOX 10250	SAN ANTONIO	TX 78210	96
2	0000J0000820934	TEXAS STATE BK	BOX 20100	SAN ANTONIO	TX 78220	1409
2	0000J0000811010	WEST TEXAS STATE BK	1900 26TH ST BOX 919	SNYDER	TX 79549	95
2	0000C0000822793	LABOR FINANCE INDUSTRIAL BK	1365 LOGAN STREET P O BOX 2069	DENVER	CO 80201	17969
2	0000J0000815974	CENTURY BANK & TRUST	234 COLUMBINE	DENVER	CO 80206	55
2	0000C0000801994	UNITED BANK OF DENVER	1740 BROADWAY AVENUE	DENVER	CO 80217	394
2	0000CCC000801945	CENTRAL BANK TRUST COMPANY	15 TH ARAPOHOE STS	DENVER	CO 80217	4513
2	0000J0000801931	KIT CARSON STATE BANK	BOX 175	KIT CARSON	CO 80825	5
2	0000C0000801939	PUEBLO BANK TRUST COMPANY	301 WEST 5TH ST BOX 639	PUEBLO	CO 81002	232
2	0000C0000812068	CENTRAL BANK & TRUST	P O BOX 601	LANDER	WY 82520	41
2	0000000C00802584	IDAHO BANK TRUST CO		PAUL	ID 83347	44
2	0000CCC000811019	BANK OF PLEASANT GROVE		PLEASANT GRV	UT 84062	82
2	0000J0000811074	VALLEY BK TR CO	2510 S STATE ST	SALT LAKE CY	UT 84115	161
2	0000C0000818061	GREAT WESTERN BANK & TRUST	P O BOX 2012	PHOENIX	AZ 85001	935
2	0000CCC000821480	SOUTHERN ARIZONA BK & TR CO	300 W OSBORN RD	PHOENIX	AZ 85015	262
2	0000J0000821935	SOUTHERN ARIZONA BK & TR CO	843 E UNIVERSITY BLVD	TUCSON	AZ 85707	594
2	000CC00000816078	SOUTHERN ARIZ BK TR CO	1065 N CAMPBELL AVE BOX 4428	TUCSON	AZ 85717	1572
2	0000J0000820101	BANK OF NEW MEXICO	3022 C	ALBUQUERQUE	NM 87103	264
2	0000J0000807728	NEW MEXICO BANK AND TRUST COMPANY	220 W BROADWAY BOX 400	HOBBS	NM 88240	209
2	0000C0000821614	UNION BANK	445 SO FIGUERCA ST	LOS ANGELES	CA 90017	73
2	000CCCC000816005	UNITED CALIFORNIA BK	POST OFFICE BOX 2114	POMONA	CA 91766	21051
2	0000C0000816004	UNITED CALIFORNIA BK	108 FOX PLAZA	SAN FRANCISCO	CA 94102	516
2	0000CCC000801719	WELLS FARGO BK	44 MONTGOMERY ST	SAN FRANCISCO	CA 94104	1170
2	0000J0000813253	BANK OF STOCKTON	P O BOX 1110	STOCKTON	CA 95201	194
2	0000000C00801687	WELLS FARGO BK	POST OFFICE BOX 4792	SACRAMENTO	CA 95825	359
2	0000CCC000809213	FIRST STATE BK OF OREG	1036 MAIN ST BOX 5905	MILWAUKIE	OR 97222	405
2	0000J0000809196	CITIZENS BK	190 EAST 11TH ST	EUGENE	OR 97401	316
2	0000C0C000800137	ALASKA STATE BANK	442 FIFTH ST BOX 240	ANCHORAGE	AK 99501	29
3	0000C0C000822080	MORRIS PLAN CO OF CALIF	715 MARKET STREET	SAN FRANCISCO	CA 94103	679

SELECTED LENDERS

TYPE	NUMBER	NAME	ADDRESS			LOANS
4	0000000000805307	MONTELLO FED S L ASSOC	820 NORTH MAIN ST	BROCKTON	MA	2403	148
4	0000000000802124	NEW LONDON FED SAVINGS LOAN ASSN	15 MASONIC STREET	NEW LONDON	CT	6320	186
4	0000000000807433	CITY FED SVGS &LN ASSOC	1141 E JERSEY ST	ELIZABETH	NJ	7201	1338
4	0000000000807442	COLLECTIVE FED SAVINGS AN LOAN	200 PHILADELPHIA AVENUE	EGG HARBOR	NJ	8215	502
4	0000000000822749	FIRST FEDERAL SVGS & LOAN ASSN	30 EAST 170TH STREET	BRONX	NY	10452	2363
4	0000000000807775	BAY SHORE FED S L ASSN	300 EAST MAIN ST	BAY SHORE	NY	11706	60
4	0000000000809980	SECOND FED S L ASSN	335 5TH AVE	PITTSBURGH	PA	15222	138
4	0000000000820234	YORK FED S L ASSN	30 E KING ST	YORK	PA	17401	104
4	0000000000805398	BALTIMORE FED SVGS & LN ASSN	FAYETTE & ST PAUL STREETS	BALTIMORE	MD	21202	716
4	0000000000811570	UNION FEDERAL S L ASSN	30 TWELFTH ST	WHEELING	WV	26003	162
4	0000000000816566	TRI CITY FED SVGS LN ASSN	606 S CENTRAL AVE	HAPEVILLE	GA	30054	7
4	0000000000816639	MACON FED SVGS LN ASSN	337 THIRD ST	MACON	GA	31202	425
4	0000000000819956	FIRST FEDERAL SAVINGS LOAN ASSN	145 S MAGNOLIA AVE PO BOX 2073	ORLANDO	FL	32802	510
4	0000000000822907	DADE FED SVGS & LN ASSN OF MIAMI	101 EAST FLAGLER ST	MIAMI	FL	33131	319
4	0000000000818473	FIRST FED S L ASSN	314 S TAMIAMI TRAIL BOX 1747	PUNTA GORDA	FL	33950	124
4	0000000000819315	FIRST FEDERAL SAV LN ASSN	PO BOX 2168-100 ST JOSEPH STREET	MOBILE	AL	36601	1707
4	0000000000815944	FIRST FED SVGS LOAN ASSN	525 E CAPITOL ST PO BOX 1818	JACKSON	MS	39201	1781
4	0000000000820468	FIRST FED S L ASSOC	513 MAIN ST	COLUMBUS	MS	39701	203
4	0000000000815692	CLEVELAND FEDERAL SVGS LN	614 EUCLID AVE	CLEVELAND	OH	44114	132
4	0000000000803519	FIRST FEDERAL SAVINGS LOAN	720 FRANKLIN	MICHIGAN CITY	IN	46360	218
4	0000000000820646	FIRST FED S L ASSN	1001 WOODWARD AVE	DETROIT	MI	48226	287
4	0000000000804262	UNITED FEDERAL SAVINGS LOAN ASSN	4515 FLEUR DRIVE	DES MOINES	IA	50321	1467
4	0000000000823686	FIRST FEDERAL SVGS LOAN ASSN	131 WEST 3RD ST	DAVENPORT	IA	52801	200
4	0000000000817972	MIDWEST FED S L ASSN	801 NICOLLET MALL	MINNEAPOLIS	MN	55402	5346
4	0000000000321728	TWIN CITY FED S & L ASSN	801 MARQUETTE AVE	MINNEAPOLIS	MN	55402	1000
4	0000000000310379	FIRST FED S L ASSN	815 ST JOE PO BOX 470	RAPID CITY	SD	57701	92
4	0000000000802903	FIRST FEDERAL SAVINGS LOAN ASSN	1 SOUTH DEARBORN	CHICAGO	IL	60603	1611
4	0000000000803065	HOME FEDERAL SAVINGS LOAN ASSN	201 SOUTH STATE STREET	CHICAGO	IL	60604	369
4	0000000000803084	KANKAKEE FED SVGS LOAN ASSN	SCHUYLER AT STATION	KANKAKEE	IL	60901	259
4	0000000000802901	FIRST FEDERAL SAVINGS LOAN ASSN	111 NORTH JEFFERSON AVENUE	PEORIA	IL	61602	626
4	0000000000823004	FIRST FEDERAL SAVINGS & LOAN ASSN	123 SOUTH MARKET	WICHITA	KS	67202	128
4	0000000000817703	SIDNEY FED SV LN ASSN	1040 ILLINOIS	SIDNEY	NE	69162	162
4	0000000000822330	LUFKIN FED SVGS & LOAN ASSN	P O DRAWER 40	LUFKIN	TX	75901	472
4	0000000000820357	FIRST FED SAV LN ASSN	500 MAIN ST	BIG SPRING	TX	79720	112
4	0000000000820830	FIRST FED S L ASSOC	POST OFFICE BOX 1267	LAS VEGAS	NM	87701	26
4	0000000000821816	CALIFORNIA FED SVGS & LOAN ASSN	5670 WILSHIRE BLVD	LOS ANGELES	CA	90036	1328
4	0000000000813261	REPUBLIC FED SVGS & LN	2246 N LAKE AVE	ALTADENA	CA	91001	124
4	0000000000822125	SANTA FE FED SVGS & LOAN ASSN	701 E ST	SN BERNARDINO	CA	92403	581
4	0000000000817971	COLUMBIA FEDERAL SAVINGS & LOAN ASN	30 SOUTH MISSION	WENATCHEE	WA	98801	641
4	0000000000819614	HOME FEDERAL SAVINGS LOAN ASSN	P O BOX 183	YAKIMA	WA	98907	905
5	0000000000807461	EQUITY SAVINGS LOAN ASSN	583 KEARNEY AVENUE	KEARNY	NJ	7032	77
5	0000000000807573	MOHAWK SAVINGS AND LOAN ASSOCIATION	40 COMMERCE STREET	NEWARK	NJ	7102	30
5	0000000000807514	COLUMBIA SAVINGS & LOAN ASSN	14-01 RIVER ROAD	FAIR LAWN	NJ	7410	1352
5	0000000000807593	ORITANI SAVINGS LOAN ASSN	321 MAIN STREET	HACKENSACK	NJ	7601	98
5	0000000000807629	SHADOW LAWN SAVINGS AND LOAN	600 BROADWAY	LONG BRANCH	NJ	7740	436
5	0000000000807550	JERSEY SHORE SAVINGS AND LOAN ASSN	POST OFFICE BOX 727	TOMS RIVER	NJ	8753	710
5	0000000000807857	EASTMAN S L ASSN	377 STATE ST	ROCHESTER	NY	14608	91
5	0000000000815532	RED HILL SVGS LN ASSN	HIGH EVANS STS	POTTSTOWN	PA	19464	32
5	0000000000815694	CITIZENS SAVINGS ASSN	100 CENTRAL PLAZA SOUTH	CANTON	OH	44702	126
5	0000000000821631	DETROIT AND NORTHERN SVGS & LN ASSN		HANCOCK	MI	49930	338
5	0000000000821872	RACINE SVGS & LOAN ASSN	400 WISCONSIN AVE	RACINE	WI	53403	21

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TYPE	NUMBER	NAME	ADDRESS			LOANS
5	0000000000917262	CATE CITY SVGS LN ASSN	500 2ND AVE NORTH	FARGO	ND 58102	1684
5	0000000000812240	HOME S L ASSN	1107 E STATE ST	ROCKFORD	IL 61101	561
5	0000000000822165	MORRIS COUNTY SVGS & LOAN ASSN	116 W MAIN ST	COUNCIL GROVE	KS 66846	163
5	0000000000823385	SAN ANGELO SAVINGS ASSN	5 SO CHADBOURNE ST	SAN ANGELO	TX 76901	273
5	0000000000822152	SANTONIO SVGS ASSN	111 SOLEDAD BOX 1810	SAN ANTONIO	TX 78205	1280
5	0000000000818330	NORTHWEST SVGS & LOAN ASSN	310 AMERICAN LEGION BLVD	MOUNTAIN HOME	ID 83647	41
5	0000000000822906	FAMILY SVGS & LN ASSN	3683 SOUTH CRENSHAW BLVD	LOS ANGELES	CA 90016	1377
5	0000000000822307	U S LIFE SAVINGS & LOAN ASSN	5220 WILSHIRE BOULEVARD	LOS ANGELES	CA 90038	7012
5	0000000000821906	GREAT WESTERN SVGS & LOAN ASSN	4401 CRENSHAW BLVD	LOS ANGELES	CA 90043	150
5	0000000000821837	GREAT WESTERN S & L ASSN	4401 CRENSHAW BLVD	BEVERLY HILLS	CA 90211	2429
5	0000000000819939	AVCO SAVINGS & LOAN ASSN	250 SO MILLS AVE	VENTURA	CA 93003	405
5	0000000000821808	GREAT WESTERN SVGS & LOAN ASSN	285 HAMILTON AVENUE	PALTO ALTO	CA 94301	709
5	0000000000821775	EQUITABLE SVGS AND LOAN ASSN	1300 S W SIXTH AVE	PORTLAND	OR 97201	1202
6	0000000000813756	POLAROID EMPL FED C U	565 TECHNOLOGY SQUARE	CAMBRIDGE	MA 2139	111
6	0000000000802033	EAST HARTFORD AIRCRAFT FED CU	417 MAIN STREET	EAST HARTFORD	CT 6118	520
6	0000000000821268	DIXON EMPL FED C U	167 WAYNE ST BOX 472	JERSEY CITY	NJ 7303	2
6	0000000000813390	KENNAMETAL EMPL FED C U	10 RIVER RD	LATROBE	PA 15650	47
6	0000000000819571	CFLCO EMPLOYEES FEDERAL C U	POST OFFICE BOX 361	NARROWS	VA 24124	68
6	0000000000807311	JAX NAVY FEDERAL C U	P O BOX 61 NAS BLDG 39	JACKSONVILLE	FL 32201	722
6	0000000000822974	NAVY ORLANDO FED CR UN	NAVAL TRAINING CENTER	ORLANDO	FL 32813	34
6	0000000000816026	AEDC FEDERAL CREDIT UNION		ARNOLD AIR FS	TN 37389	299
6	0000000000820951	ACME FEDERAL CREDIT UNION	170 E 131TH ST	CLEVELAND	OH 44108	9
6	0000000000817417	KELLOGG FED C U	235 PORTER	BATTLE CREEK	MI 49016	109
6	0000000000803219	SELFRELIANCE FEDERAL CREDIT UNION	2351 WEST CHICAGO AVENUE	CHICAGO	IL 60622	77
6	0000000000817908	FORT CROOK FED C U	OFFUTT AIR FORCE BASE	OMAHA	NE 68113	937
6	0000000000822147	LTV FED CREDIT UNION	BOX 5907	DALLAS	TX 75222	108
6	0000000000823213	BERGSTROM AFB FEDERAL CREDIT UNION		AUSTIN	TX 78743	24
6	0000000000819993	DENVER PUBLIC SCHOOLS E F C U	1535 HIGH ST	DENVER	CO 80218	138
6	0000000000801895	ENT FEDERAL CREDIT UNION	BOX 4656 KNOB HILL STATION	COLORADO SPGS	CO 80910	556
6	0000000000800144	AEA FEDERAL CREDIT UNION	798 9TH STREET BOX 5328	YUMA	AZ 85364	54
6	0000000000818632	METHODIST MINISTERS FED C U	2055 NORTH GAREY AVENUE BOX 2363	POMONA	CA 91766	38
6	0000000000819943	SAFE FEDERAL CREDIT UNION	4636 WATT AVE P O BOX 1057	NORTH HIGHLAN	CA 95660	385
6	0000000000802599	H C AND S FED C U	21 W KAMEHAMEHA AVE	KAHULUI MAUI	HI 96732	97
6	0000000000817514	HAWAIIAN ELEC EMPL FED C U	POST OFFICE BOX 2750	HONOLULU	HI 96803	24
7	0000000000815704	WESTERN MASS TEL WORKERS CU	295 NORTHINGTON ST	SPRINGFIELD	MA 1103	39
7	0000000000819102	PUTNAM COUNTY TEACHERS CREDIT UNION	POST OFFICE BOX 21	PALATKA	FL 32077	19
7	0000000000818464	HILLSBOROUGH CO TEACHERS CR UN	BOX 643 407 EAST ST	TAMPA	FL 33601	327
7	0000000000814556	IRON STEEL WORKERS C U	701 18TH ST ENSLEY	BIRMINGHAM	AL 35218	729
7	0000000000821099	CITY OF SO EUCLID EMPL C U	1349 SO GREEN RD	SOUTH EUCLID	OH 44121	4
7	0000000000817410	STATE EMPLOYEES C U	501 SO CAPITOL	LANSING	MI 48933	32
7	0000000000803942	COLLINS EMPLOYEES CU	1150 OLD MARION RD N E	CEDAR RAPIDS	IA 52402	473
7	0000000000802838	CONSUMERS COOP CR UN	2420 WASHINGTON STREET	WAUKEGAN	IL 60085	106
7	0000000000802843	DEERE CO CREDIT UNION	JOHN DEERE ROAD	MOLINE	IL 61265	70
7	0000000000815654	CONSUMERS CREDIT UNION		OBERLIN	KS 67749	4
7	0000000000820682	GOVERNMENT EMPL C U	406 DURANGO	SAN ANTONIO	TX 78207	217
7	0000000000817476	OGDEN RAILWAY EMPL C U	147 26TH STREET	OGDEN	UT 84401	102
7	0000000000811585	CLARK CO SCHOOL EMPL C O	P O BOX 1846	VANCOUVER	WA 98660	80
8	0000000000819876	WARE SAVINGS BANK	FOUR BANK STREET	WARE	MA 1082	57
8	0000000000805293	COMMUNITY SVGS BANK	1319 MAIN STREET	SPRINGFIELD	MA 1101	234
8	0000000000805380	CONSUMER SAVINGS BANK	316 MAIN ST	WORCESTER	MA 1600	545
8	0000000000805192	ANDOVER SAVINGS BK	61 MAIN STREET	ANDOVER	MA 1810	209

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TYPE	NUMBER	NAME	ADDRESS			LOANS
8	000000000805202	BEVERLY SAVINGS BK	175 CABOT ST	BEVERLY	MA	1915	135
8	000000000805353	SUFFOLK FRANKLIN SAVINGS BK	45 FRANKLIN STREET	BOSTON	MA	2110	555
8	000000000805306	MILTON SAVINGS BK		MILTON	MA	2186	140
8	000000000810240	OLD STONE SAVINGS BANK	61 WEYBOSSET STREET P O BOX 1598	PROVIDENCE	RI	2903	1212
8	000000000812265	CITIZENS SVGS BK	797 WESTMINSTER STREET	PROVIDENCE	RI	2903	425
8	000000000807350	KEENE SAVINGS BANK	50 CENTRAL SQ	KEENE	NH	3431	43
8	000000000805724	GARDINER SAVINGS INSTITUTION	P O BOX 342	GARDINER	ME	4345	71
8	000000000815827	BRISTOL SAVINGS BANK	150 MAIN ST	BRISTOL	CT	6010	269
8	000000000815841	DERBY SAVINGS BANK	PO BOX 1226 STUDENT LOAN SER CTR	HARTFORD	CT	6101	172
8	000000000815875	SOCIETY FOR SAVINGS	31 PRATT ST	HARTFORD	CT	6103	470
8	000000000815858	MILFORD SAVINGS BANK	33 BROAD ST	MILFORD	CT	6460	30
8	000000000815862	NEW HAVEN SVGS BANK	170 ORANGE ST	NEW HAVEN	CT	6502	917
8	000000000815807	THOMASTON SAVINGS BANK	140 MAIN STREET- BOX 6	THOMASTON	CT	6787	73
8	000000000807612	SAVINGS BANK OF CENTRAL JERSEY	102 EAST FRONT STREET	PLAINFIELD	NJ	7060	321
8	000000000807660	UNITED STATES SAVINGS BK OF NEWARK	772 BROAD STREET	NEWARK	NJ	7102	606
8	000000000820930	PERTH AMBOY SVGS INST	210 SMITH ST BOX 509	PERTH AMBOY	NJ	8862	112
8	000000000807786	BROADWAY SAVINGS BANK	40 PARK PLACE	NEW YORK	NY	10011	15
8	000000000807373	EMPIRE SAVINGS BK	221-223 WEST 57TH STREET	NEW YORK	NY	10019	91
8	000000000807975	GREENBURGH SAVINGS BANK	81 MAIN STREET	DOBBS FERRY	NY	10522	9
8	000000000807844	DIME SAVINGS BANK OF BROOKLYN	9 DEKALB AVENUE	BROOKLYN	NY	11201	1175
8	000000000808232	WILLIAMSBURGH SAVINGS BANK	ONE HANSON PLACE	BROOKLYN	NY	11217	543
8	000000000808137	RICHMOND HILL SAVINGS BK	115-20 JAMAICA AVE	RICHMOND HILL	NY	11418	68
8	000000000808162	SCHENECTADY SAVINGS BANK	500 STATE ST	SCHENECTADY	NY	12301	187
8	000000000803008	JEFFERSON SAVINGS BANK	216 WASHINGTON ST	WATERTOWN	NY	13601	59
8	000000000808231	WESTERN SAVINGS BANK OF BUFFALO	438 MAIN STREET	BUFFALO	NY	14202	410
8	000000000322583	DOLLAR SAVINGS BANK	4TH & SMITHFIELD	PITTSBURGH	PA	15230	227
8	000000000819415	PHILADELPHIA SAVING FUND SOCIETY	1212 MARKET STREET	PHILADELPHIA	PA	19107	3257
8	000000000819416	WESTERN SAVINGS BANK	BROAD & CHESTNUT STREETS	PHILADELPHIA	PA	19107	1281
8	000000000823950	DENVER INDUSTRIAL BANK	838 GRANT ST SUITE 200	DENVER	CO	80201	1726
8	000000000823960	CALIFORNIA PACIFIC BANK	1700 WEST ORANGETHROPE STREET	FULLERTON	CA	92623	314
8	000000000820043	WASHINGTON MUTUAL SAVINGS BANK	1101 SECOND AVE	SEATTLE	WA	98101	6490
9	000000000822845	KNIGHTS OF COLUMBUS	COLUMBUS PLAZA	NEW HAVEN	CT	6507	779
9	000000000822410	COLLEGE LIFE INSURANCE COMPANY	3500 DEPAUW BOULEVARD	INDIANAPOLIS	IN	46268	646
9	000000000822676	EXECUTIVE LIFE INS CO OF NEW YORK	9777 WILSHIRE BLVD	BEVERLY HILLS	CA	90212	265
10	000000000822094	PRINCETON UNIVERSITY	POST OFFICE BOX 35	PRINCETON	NJ	8540	736
10	000000000822864	ALABAMA CHRISTIAN COLLEGE	5345 ATLANTA HWY	MONTGOMERY	AL	36109	25
10	000000000820953	ANTIOCH COLLEGE		YELLOW SPGS	OH	45387	348
10	000000000821413	INDIANA UNIV STUDENT LOAN ADMINISTR	STUDENT SERVICES BUILDING #101	BLOOMINGTON	IN	47401	2034
10	000000000821428	COLLEGE OF ST THOMAS		ST PAUL	MN	55101	116
10	000000000822717	UNIVERSITY OF NEW MEXICO	SCHOOLS HALL ROOM 121	ALBUQUERQUE	NM	87131	3621
10	000000000821591	COLEMAN COLLEGE	2425 SAN DIEGO AVENUE	SAN DIEGO	CA	92110	25
11	000000000811933	HIGHER EDUCATION AIDS COMMISSION	115 W WILSON STREET	MADISON	WI	53703	2103
11	000000000812089	TEXAS COLLEGE UNIVERSITY SYSTEM	P O BOX 12788 CAPITOL STATION	AUSTIN	TX	78711	44009
12	000000000818056	PARTICIPATING BANKS LOAN FUND D C	SUITE 101, 1709 NEW YORK AVE NW	WASHINGTON	DC	20036	2303
12	000000000821218	COMMERCIAL CREDIT CORP	501 ST PAUL STREET 6TH FLOOR	BALTIMORE	MD	21202	20522
12	000000000821281	ARMY CENTRAL WELFARE FUND	BOX 107	ARLINGTON	VA	22210	311
12	000000000807037	COLLEGE FOUNDATION INC	1307 GLENWOOD AVENUE	RALEIGH	NC	27605	7328
12	000000000800246	ARKANSAS RURAL ENDOWMENT FUND INC	203 NATIONAL OLD LINE BLDG	LITTLE ROCK	AR	72201	1832
12	000000000819760	OKLA RURAL REHABILATION CORP	1210 NORTH 10TH STREET	DUNCAN	OK	73533	108
12	000000000822104	BUSINESS EDUCATION FUND INC	RT 3 BOX 88	LEXINGTON	TX	78947	661
13	000000000821139	LYONS EDUCATIONAL CENTER	900 BROAD ST	NEWARK	NJ	7102	2078

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TYPE	NUMBER	NAME	ADDRESS			LOANS
13	00000000822535	ELECTRONIC COMPUTER PROGRAMMING INS	350 FIFTH AVENUE	NEW YORK CITY	NY 10001	822
13	00000000822542	BRADFORD SCHOOL INC	419 WOOD STREET	PITTSBURGH	PA 15222	415
13	00000000822313	PALMER COLLEGE	125 BULL ST	CHARLESTON	SC 29401	1031
13	00000000822863	CHARRON WILLIAMS COLLEGE INC	2 N W SECOND ST	MIAMI	FL 33128	326
13	00000000822236	KNOXVILLE BUSINESS COLLEGE	209 W CHURCH AVE	KNOXVILLE	TN 37902	974
13	00000000822356	ITT TECHNICAL INSTITUTE	5610 CRAWFORDSVILLE RD	INDIANAPOLIS	IN 46224	4486
13	00000000822103	MANPOWER BUS TRAINING INST	820 N PLANKINTON AVE	MILWAUKEE	WI 53201	2640
13	00000000820621	CAREER ACADEMY INC	611 E WELLS ST	MILWAUKEE	WI 53202	5508
13	00000000822159	NATIONAL COLLEGE OF BUSINESS	321 KANSAS CITY ST	RAPID CITY	SD 57701	311
13	00000000821464	COMMERICAL TRADES INSTITUTE	1400 W GREENLEAF AVE	CHICAGO	IL 60626	23649
13	00000000821462	ADVANCE TRADES SCHOOL INC	5900 N WEST HIGHWAY	CHICAGO	IL 60631	49840
13	00000000821012	BELL & HOWELL SCHOOLS INC	4141 BELMONT	CHICAGO	IL 60641	13143
13	00000000820665	BRANTLEY-DRAUGHON BUS COLL	1507 PACIFIC	DALLAS	TX 75201	4821
13	00000000822018	ELECTRONIC COMPUTER PROGAMING INST	FRITO LAY TOWER SUITE 240 C	DALLAS	TX 75235	487
13	00000000820553	PARKS SCH OF BUS LEAR SIEGLER INC	1275 SHERMAN	DENVER	CO 80203	331
13	00000000821197	SAWYER COLL OF BUS	541 S SPRING STREET	LOS ANGELES	CA 90014	2043
13	00000000821318	AMERICAN VOCATIONAL SCHOOLS	198 S ALVARADO STREET	LOS ANGELES	CA 90057	702
13	00000000821399	HEALDS BUSINESS COLLEGE	1255 POST ST	SAN FRANCISCO	CA 94109	2063
13	00000000822961	FEDERICO SOUTHGATE COLLEGE	4342 FLORIN ROAD	SACRAMENTO	CA 95823	187

APPENDIX E

LENDER SITE VISIT SUMMARY

APPENDIX E

LENDER SITE VISIT SUMMARY

RMC made site visits to 38 lenders, which are described and discussed in Chapter 3. This appendix presents a single sheet summary for each lender summarizing major lender characteristics, major good points, and major problem areas observed by RMC interviewers or described by lender officials. The individual lender names are not included because of the need to maintain the confidentiality of specific responses and opinions. The default rate, number of defaulters and borrowers in repayment were obtained from the GSLP Loan Control Master File maintained by OE.

Each summary identifies the lender type by a numerical code. These codes, as assigned and used by OE, are as follows:

(1) National Banks
(2) State Banks (FDIC)
(3) State Banks (Non-FDIC)
(4) Federal Savings and Loan
(5) State Savings and Loan
(6) Federal Credit Union
(7) State Credit Union
(8) Mutual Savings Banks
(9) Insurance Companies
(10) Academic Institutions--Higher Education
(11) Direct State Lenders
(12) Other
(13) Academic Institutions--Vocational Education

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 1

Default rate	90%
Number of defaulters	238
Number of borrowers attaining repayment status	265
Lender type	9
State	California
Total assets	$44,000,000

GOOD POINTS:

None

PROBLEM AREAS:

Many vocational students
Poor school
No credif checks
Lack of due diligence
Lax lending policy
No student contact

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 2

Default rate	50%
Number of defaulters	8,584
Number of borrowers attaining repayment status	17,164
Lender type	2
State	Texas
Total assets	$357,628,000

GOOD POINTS:

Money sent to school

PROBLEM AREAS:

Many vocational loans
Weak eligibility standards
Highly unorganized portfolio
High-pressure salesmanship
Large portfolio
Too much paper work
No responsibility on schools
Slow default payments by OE

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 3

Default rate	48%
Number of defaulters	90
Number of borrowers attaining repayment status	187
Lender type	8
State	New York
Total assets	Not available

GOOD POINTS:

Strong on public service
Program statistics
Disbursements made in name of school and student
Repayment terms made in person

PROBLEM AREAS:

Report data to state
Excessive paper work
No restriction on borrowers
Large portfolio

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 4

Default rate	36%
Number of defaulters	254
Number of borrowers attaining repayment status	702
Lender type	13
State	California
Total assets	$433,606

GOOD POINTS:

Small portfolio
Credit checks

PROBLEM AREAS:

Vocational loans
Lax lending policy
Many dropouts from school
Slow OE approval on loans

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 5

Default rate	25%
Number of defaulters	799
Number of borrowers attaining repayment status	3,257
Lender type	8
State	Pennsylvania
Total assets	Not available

GOOD POINTS:

Experience in GSLP
Less than 10 percent of portfolio from any school
Customer relationship required
Helpful state agency

PROBLEM AREAS:

Large portfolio
Student status tracking
No co-signer

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 6

Default rate	24%
Number of defaulters	3,538
Number of borrowers attaining repayment status	14,943
Lender type	1
State	California
Total assets	$13,478,783,046

GOOD POINTS:

Experience
No freshmen
No vocational students
Flexible repayment policy

PROBLEM AREAS:

No interest in due diligence period
Decentralized
Poor records
Large portfolio
No customer relationship requirement
Manual record-keeping
Slowness of OE on decisions and notification
Slow claim payment
Slow pre-claim assistance by OE
Too much paper work
High cost of money
Student tracking

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 7

Default rate	22%
Number of defaulters	4,633
Number of borrowers attaining repayment status	21,051
Lender type	2
State	California
Total assets	$9,000,000,000

GOOD POINTS:

Centralized (recently)
No upper limit on portfolio
Limits on first year students
No cross borrowing
Many collectors
Credit checks
Coupon booklets

PROBLEM AREAS:

Large portfolio
Had many proprietary loans until two years ago
No banking relationship with borrower
Lack of information and guidelines from OE
Retroactive OE decisions

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 8

Default rate	22%
Number of defaulters	1,524
Number of borrowers attaining repayment status	7,012
Lender type	5
State	California
Total assets	$418,406,000

GOOD POINTS:

Computerized

PROBLEM AREAS:

Lax lending policy
Many vocational loans
No student contact
Large portfolio
Slow claims payment
No credit checks
Retroactive policy by OE

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 9

Default rate	18%
Number of defaulters	563
Number of borrowers attaining repayment status	4,092
Lender type	12
State	Maryland
Total assets	Not available

GOOD POINTS:

Credit checks
Coupon books

PROBLEM AREAS:

Many vocational loans
Large portfolio
No student contact
No co-makers
Slow claim payments

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 10

Default rate	17%
Number of defaulters	3,007
Number of borrowers attaining repayment status	17,969
Lender type	2
State	Colorado
Total assets	$7,892,957

GOOD POINTS:

Monthly reports from schools on student status
Exit interviews by schools
Money sent to school periodically
Bank breaking even on GSLP
Experience with GSLP

PROBLEM AREAS:

Vocational students mostly
Large portfolio
No bank/borrower contact
No credit checks
Slow loan approval rate
Too much paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 11

Default rate	16%
Number of defaulters	517
Number of borrowers attaining repayment status	3,229
Lender type	2
State	Pennsylvania
Total assets	Not available

GOOD POINTS:

Experience
Profitable
Customer relationship
Assistance from state agency
Vocational student checks to school
Computerized

PROBLEM AREAS:

Slow claims payment
Large portfolio
Many vocational students

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 12

Default rate	15%
Number of defaulters	96
Number of borrowers attaining repayment status	655
Lender type	1
State	Puerto Rico
Total assets	$7,403,087

GOOD POINTS:

Small portfolio

PROBLEM AREAS:

No student contact
No customer relationship requirement
Student tracking
High cost of money
Excessive paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 13

Default rate	13%
Number of defaulters	173
Number of borrowers attaining repayment status	1,328
Lender type	4
State	California
Total assets	$2,318,493,172

GOOD POINTS:

Personal interview
Centralized
Credit checks

PROBLEM AREAS:

Lax lending policy
Many vocational students
No account relationship with bank
Student tracking
Too much paper work
Slow claim payments
Slow loan approvals

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 14

Default rate	11%
Number of defaulters	167
Number of borrowers attaining repayment status	1,523
Lender type	1
State	Mississippi
Total assets	$700,000,000

GOOD POINTS:

Devoted staff
Only juniors and above
Customer requirement
No vocational loans
Inner subsidy requirement
Flexible repayment policy
Computerized records

PROBLEM AREAS:

Decentralized
Not enough effort by OE
Slow payment of claims

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 15

Default rate	10%
Number of defaulters	555
Number of borrowers attaining repayment status	5,346
Lender type	4
State	Minnesota
Total assets	$904,611,072

GOOD POINTS:

Computerized
Few vocational students

PROBLEM AREAS:

Check to student
Very little personal contact
Lax lending policy
No account requirement
Slow claims payment
Tracking students
Lax attitude of students

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 16

Default rate	9%
Number of defaulters	211
Number of borrowers attaining repayment status	2,244
Lender type	1
State	Massachusetts
Total assets	$1,730,242,000

GOOD POINTS:

Customer requirement
Local participation only
Low proportion of vocational students
No student tracking problems
Good information system
Experience

PROBLEM AREAS:

Large portfolio
Help approval in loop
Slow claim payment
Too much paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 17

Default rate	9%
Number of defaulters	2,297
Number of borrowers attaining repayment status	25,311
Lender type	1
State	California
Total assets	Not available

GOOD POINTS:

Close relationship with school student aid
State residence restriction
Sophomore or higher
No vocational loans
Computerized
Good records

PROBLEM AREAS:

Decentralized
No banking relationship
Student tracing problems
OE claims payment
OE interest payment

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 18

Default rate	9%
Number of defaulters	92
Number of borrowers attaining repayment status	1,022
Lender type	2
State	Massachusetts
Total assets	$1,507,443,859

GOOD POINTS:

Centralized
No upper limit on portfolio
Customers only
Residency requirement
Personal interviews
Flexible repayment policy
$1,500 maximum for one year

PROBLEM AREAS:

No co-signer
No credit checks
Too much paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 19

Default rate	8%
Number of defaulters	1,119
Number of borrowers attaining repayment status	13,312
Lender type	1
State	California
Total assets	$11,767,725,000

GOOD POINTS:

Centralized
Computerized
Account relationship
Age limit

PROBLEM AREAS:

Cross borrowing
Government public relations
Student tracking

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 20

Default rate	8%
Number of defaulters	158
Number of borrowers attaining repayment status	1,914
Lender type	2
State	Puerto Rico
Total assets	$557,250,775

GOOD POINTS:

Checks to schools directly

PROBLEM AREAS:

Large portfolio
Students attend school out of country
Students return to school after repayment started

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 21

Default rate	8%
Number of defaulters	128
Number of borrowers attaining repayment status	1,695
Lender type	1
State	Massachusetts
Total assets	$8,004,705,200

GOOD POINTS:

No freshmen loans
Coupon payment books
Flexible repayment policy

PROBLEM AREAS:

Large portfolio
Help approval in loop
Special relationship with vocational school
Vocational school shut down
Excessive paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 22

Default rate	7%
Number of defaulters	2,737
Number of borrowers attaining repayment status	40,926
Lender type	1
State	Illinois
Total assets	$1,512,776,095

GOOD POINTS:

Long experience
Low delinquent rate
Centralized

PROBLEM AREAS:

Too much paper work
Lending rate not tied to prime
Very large portfolio
No co-maker
Lend to freshmen
High servicing man-hours
High volume of vocational students
Tracking students
Schools take advantage of program
No interest payment after default

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 23

Default rate	6%
Number of defaulters	183
Number of borrowers attaining repayment status	2,868
Lender type	2
State	Pennsylvania
Total assets	$2,348,118,000

GOOD POINTS:

Computerized
Customer requirement
Assistance from state agency

PROBLEM AREAS:

Large portfolio
Slow federal claims payment

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LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 24

Default rate	5%
Number of defaulters	110
Number of borrowers attaining repayment status	2,043
Lender type	13
State	California
Total assets	Not available

GOOD POINTS:

None

PROBLEM AREAS:

Mostly vocational loans
Low reading level students
Lack of due diligence
Lax lending policy
Manual records
Poor staff organization

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 25

Default rate	5%
Number of defaulters	12
Number of borrowers attaining repayment status	223
Lender type	1
State	Colorado
Total assets	$176,787,018

GOOD POINTS:

- Devoted staff
- Small operation
- Computerized
- Only sophomores and above
- Bank account requirement
- Money sent to school
- Low default rate
- Flexible repayment policy
- Due diligence
- Good relationship with OE
- Few vocational students
- Centralized

PROBLEM AREAS:

- Tracking students
- Rapport with schools
- High cost of money

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 26

Default rate	5%
Number of defaulters	71
Number of borrowers attaining repayment status	1,402
Lender type	1
State	Illinois
Total assets	$16,440,266,000

GOOD POINTS:

- Small staff
- Long experience
- Most loans to bank customers
- Most loans to sophomore or higher
- Few vocational loans
- Conservative philosophy
- Low delinquency rate
- Low default rate
- Computerized records
- Up-to-date records
- Low servicing man-hours
- Centralized

PROBLEM AREAS:

- IGLP in approval loop
- No co-makers
- Slow conversion to pay-out
- Student tracking
- Not enough public relations by OE

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 27

Default rate	5%
Number of defaulters	63
Number of borrowers attaining repayment status	1,402
Lender type	2
State	Maryland
Total assets	$764,664,044

GOOD POINTS:

Only bank customers
No portfolio limit

PROBLEM AREAS:

Large portfolio
Disbursements to students
Excessive paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 28

Default rate	4%
Number of defaulters	189
Number of borrowers attaining repayment status	4,821
Lender type	13
State	Texas
Total assets	Not available

GOOD POINTS:

Money to school

PROBLEM AREAS:

Only vocational students
Lax lending policy
No student contact
Poor records
Complex organization
High-pressure salesmen

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 29

Default rate	4%
Number of defaulters	95
Number of borrowers attaining repayment status	2,428
Lender type	5
State	California
Total assets	$4,762,607,000

GOOD POINTS:

Centralized
Monthly billing

PROBLEM AREAS:

Large portfolio
Lax lending policy
No account requirement
Many vocational loans
Poorly organized portfolio
Student tracking
Slow claim payment

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 30

Default rate	2%
Number of defaulters	565
Number of borrowers attaining repayment status	23,649
Lender type	13
State	Illinois
Total assets	$46,167,651

GOOD POINTS:

Credit check
Small average loan
Tracks graduates
Due diligence
Good staff

PROBLEM AREAS:

All vocational loans
Large portfolio
No student contact
Lax lending policy
No co-maker
Slow claim payments

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 31

Default rate	1%
Number of defaulters	10
Number of borrowers attaining repayment status	716
Lender type	2
State	Maryland
Total assets	$997,844,319

GOOD POINTS:

- Devoted staff
- Long experience
- Require co-maker
- Customer relationship required
- Siminar for borrowers
- Heavy applicant screening
- Only accredited schools

PROBLEM AREAS:

- No credit checks

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 32

Default rate	1%
Number of defaulters	263
Number of borrowers attaining repayment status	44,009
Lender type	11
State	Texas
Total assets	$285,000,000

GOOD POINTS:

- Long experience
- No vocational loans
- Computerized
- Good records
- Money sent to school
- Student status changes reported
- Due diligence

PROBLEM AREAS:

- No credit checks
- Large portfolio
- Slow loan approval
- Slow claims payment

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 33

Default rate	Less than 1%
Number of defaulters	6
Number of borrowers attaining repayment status	2,303
Lender type	12
State	Washington, D.C.
Total assets	Not available

GOOD POINTS:

Computer support
Close to OE (location)
Degree programs only
Notarized statement of attendance
Good claims payment
Bank fund reduces cost

PROBLEM AREAS:

Large multi-bank portfolio
Problems locating borrowers
Low interest rate

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 34

Default rate	Less than 1%
Number of defaulters	3
Number of borrowers attaining repayment status	1,871
Lender type	2
State	Puerto Rico
Total assets	$1,133,317,072

GOOD POINTS:

Checks to schools directly
Repayment interviews

PROBLEM AREAS:

Large portfolio
No borrower restrictions except freshmen
No student interviews
Out of country students
No credit checks
Foreign schools won't fill out documents (in English)

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 35

Default rate	Less than 1%
Number of defaulters	23
Number of borrowers attaining repayment status	13,143
Lender type	13
State	Illinois
Total assets	Not available

GOOD POINTS:

Due diligence

PROBLEM AREAS:

All vocational students
Large portfolio
Lax lending policy
No student contact
Insufficient OE regulation for schools
Slow application approval
Manual processing

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 36

Default rate	Less than 1%
Number of defaulters	95
Number of borrowers attaining repayment status	49,840
Lender type	13
State	Illinois
Total assets	Not available

GOOD POINTS:

Centralized
Credit check
Paper loans!!
Absorb most defaults

PROBLEM AREAS:

All vocational loans
Large portfolio
Lax lending policy
Too much paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 37

Default rate	0%
Number of defaulters	0
Number of borrowers attaining repayment status	111
Lender type	6
State	Massachusetts
Total assets	Not available

GOOD POINTS:

Small portfolio
Account requirement
Minimal tracking problems

PROBLEM AREAS:

No credit checks
Too much paper work

LENDER SITE VISIT SUMMARY

LENDER SITE VISIT NO.: 38

Default rate	N/A
Number of defaulters	-
Number of borrowers attaining repayment status	-
Lender type	1
State	Minnesota
Total assets	$1,813,218,000

GOOD POINTS:

Computerized
Competition
Reject poor portfolios
Quarterly status checks on students
Profit-making

PROBLEM AREAS:

Large volume
Not enough information from CE